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POLITICAL SCIENCE QUARTERLY

THE FIRST PHASE OF THE NATIONAL INDUSTRIAL RECOVERY ACT, 1933

I. Trends of Business Activity

THE administration of the National Industrial Recovery Act of 1933 passed from its first into its second phase early in the year 1934 when the framing of the initial codes of fair competition ceased to be the main function of the administration and gave place to the control of the operation of these codes and their modification. The passing of this first phase suggests the weighing of its contribution to general economic recovery. Accurate statistical measurement is impossible because of the absence of adequate statistics of output, wages, employment, prices and profits. Even if the available statistics are taken as an indication of the broad changes in economic conditions during the period, it is impossible to segregate the effects of the Recovery Act from movements in world economic conditions, or from the consequences of the policy of the administration with regard to monetary conditions, agriculture, the relief of the unemployed and public works. It is possible, however, to estimate the general directions of change in economic conditions, to define the broad lines of the policy of the Recovery Administration and to suggest the probable nature and extent of the contribution of this policy to the changes in economic conditions. The present paper is concerned with these questions and with the nature of the underlying problems of an industrial control of the type established by the act.

The most important changes in economic conditions during

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TABLE I

PERCENTAGE CHANGES IN BUSINESS ACTIVITY

	March to July, 1933	July to December, 1933	March to December, 1933
Industrial Production [a] (adjusted)	+66	−25	+25
Factory Employment [a] (adjusted)	+23	+ 3	+25
Factory Payrolls [a] (unadjusted)	+35	+ 6	+43
Wholesale Prices [b]	+15	+ 2	+18
Cost of Living [b]	+ 4	+ 3	+ 8
Food	+15	0	+15
Clothing	+ 4	+21	+26
Stocks of Manufactured Goods [c] (unadjusted)	+ 8	+ 7	+14
Labor Costs per Unit of Output	−26	+54	+10
Department Store Sales [a] (adjusted)	− 9	− 8	−16
Department Store Stocks [a] (adjusted)	+ 2	+10	+13

[a] *Federal Reserve Bulletin.* [b] U. S. Bureau of Labor Statistics.

[c] U. S. Department of Commerce.

TABLE II

INDUSTRIAL PRODUCTION BY INDUSTRIES 1933 [1]

(Base: 1923-1925 = 100. Adjusted for Seasonal Variation)

	March	July	December
Manufactures: total	56	101	73p
Iron and Steel	22	100	61
Textiles	76	130	78p
Food Products	84	100	86
Paper and Printing	82p	101p	97p
Lumber	22	38	32
Leather and Products	84	116	94
Cement	40	56	36
Glass, Plate	54	150	111
Automobiles	27	70	47
Gasoline (unad.)	179	198	172
Rubber Tires and Tubes	41	143	108
Tobacco Products	99	117	123
Minerals: total	81	90	85
Bituminous Coal	51	76	66
Anthracite Coal	77	67	68
Petroleum, Crude	122	132	11

p = preliminary figure.

[1] *Federal Reserve Bulletin.*

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this period are indicated in Table I, which suggests that the physical volume of manufacturing activity rose between March and July 1933 by 66 per cent and then fell by December to a point 25 per cent above the level in March. Table II suggests that the increase in activity between March and July was greatest in iron and steel, textiles, automobiles and rubber tires, plate glass and bituminous coal. In the whole period from March to December the greatest increases in activity occurred in iron and steel, lumber, automobiles and rubber tires, plate glass and tobacco products, and the smallest increases in textiles, food products, cement (decrease), crude petroleum and gasoline (decrease), and anthracite (decrease). Considerable percentage increases can be shown in the industries producing mainly constructional goods but they are partly due to the smallness of production in the base month. The increase between March and December (in terms of a percentage of the average output in the years 1923 to 1925) was, for iron and steel 39, lumber 10, plate glass 57; while there was a decline of 4 per cent in the output of cement. The sharp upturn in business activity before the Recovery Act became operative on June 16, 1933 cannot be dismissed as unrelated to the act because it was in part stimulated by anticipation of the effects of the act (as well as of the effects of the monetary policy of the administration) in raising both prices and labor costs. Efforts were made to increase production before labor costs increased, in order to sell when prices had been raised.

The Recovery Administration contributed to these changes in the volume of production through its policies with regard to wages on the one hand and to prices on the other. The attainment of the objectives of the act [2] is sought through the code of fair competition drawn up by a representative group in each

[2] The principal objectives stated in the act were "to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanctions and supervision, to eliminate unfair competitive practices, to promote the fullest possible utilization of the present productive capacity of industries, to avoid undue restriction of production (except as may be temporarily required) . . . and otherwise to rehabilitate industry and conserve national resources" (H. R. 5755, 1933, Section 1).

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industry. After a code has been revised and has been approved by the President breach of any of its clauses by any firm in the industry (whether or not it has accepted the code or participated in drawing it up) is a punishable offense. Conduct in accordance with a code, on the other hand, is exempt from the provisions of the anti-trust acts. The powers vested in the President are exercised by an Administrator who is advised by boards representing respectively the interests of business, labor and consumers. Thus the act vested in the Federal government considerable control over industrial policy and afforded it an opportunity of coördinating the policies of different industries in the general social interest.

II. Wage Policy

The administration made it very clear that it regarded the determination of the broad lines of wage policy as the field in which this new opportunity to coördinate industrial action should be most speedily exercised. It took the view that competitive industry, having been compelled during the depression to seek to limit the losses resulting from declining demand by reducing payrolls (both by reducing wage rates and by discharging workers), had progressively restricted the market for goods. No individual firm could maintain or raise wages in the hope of maintaining sales because none could be assured that all would pursue the same policy; any single firm pursuing this policy would raise its costs more than it would increase its own sales, except in the odd case that the increases of pay granted to its workers were all spent on the goods made by their employers. But if employers could be assured that all would increase payrolls simultaneously, the policy would appeal to all or most of them. In consequence, the President exhorted employers to shorten the hours of work and raise rates of pay in order to increase total payrolls. The President's Reëmployment Agreement was intended to operate as a temporary general code which would have this effect and the initial special codes all contained clauses fixing minimum rates of pay and maximum hours of work. But it was immediately realized that the concentration of control over prices and pro-

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duction in each industry might lead to higher prices to cover the higher labor costs and that it was necessary to "put some control on undue price increases so that prices will not move up one bit faster than is justified by higher costs".[3] In the words of the President "if we now inflate prices as fast and as far as we increase wages the whole project will be set at naught. We cannot hope for the full effect of this plan unless in these first critical months, and even at the expense of full initial profits, we defer price increases as long as possible."

The effect of a policy of increasing payrolls depends upon the manner in which the payrolls are spent and the way in which the increases affect other classes. If increases in payrolls are spent to pay off debts rather than to purchase goods, their final effect depends upon the behavior of creditors, who may either pay off bank debts, and contribute to a decline in bank credit, or increase their spending. If the increased payrolls are at the expense of receivers of profits or interest, in so far as they divert purchasing power into the hands of those more likely to spend, they increase the demand for consumers' goods but thereby decrease the amounts available for investment or for holding in banks. If the increases in payrolls are ultimately obtained from increases in bank loans, additional spending is possible by wage receivers without any reaction upon the spending power of profit and interest receivers, and, so long as there is unemployed labor and equipment, an increase in business activity is possible. The resulting increase in total sales might restore some industries to profitable operation and enable them to pay off their bank debts. But the increased spending is likely to be very unevenly distributed between industries and some are likely merely to pile up debt and impair their solvency. If for fear of this outcome, and in anxiety to obtain or increase profits, prices are increased, the volume of sales will be less than if prices were not raised. The number of units that can be bought by purchasers of all classes is reduced. Fixed income receivers suffer a diminution of real income. The effect upon wage earners depends upon the extent of the increase in the prices of the goods they buy and

[3] N. R. A. Release No. 11, June 25, 1933.

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the extent of the increase in their total payroll. The effect upon profit receivers varies from industry to industry and depends in each upon the elasticity of demand for the product. The less elastic the demand the greater the extent to which the industry group can increase its revenue by increasing prices and the greater the probability of an increase in revenue exceeding the increase in payrolls. The effect upon the real income of profit receivers depends on the relation between the change in their money income and the change in the prices of the commodities they buy.

The industries least likely to be assisted by this program of increasing payrolls are those supplying producers' goods, which are at the same time those in which the principal unemployment exists. Any enlargement of production increases wear and tear and thereby accelerates the demand for producers' goods for replacement, but extensions of plant can be expected only when existing firms find that their present equipment is approaching full utilization. The industries supplying producers' goods, while expected to make contributions toward the general increase in purchasing power and to augment their costs, have, therefore, the smallest prospect of any immediate share in the general revival of purchasing power. Moreover, in so far as these industries, realizing that the wide cyclical fluctuations in the demand for their product expose them to the most serious dangers of price cutting, have resisted price reductions during the depression, they may find that they are unable further to increase their prices in response to the increase in their labor costs. If they do increase their prices they increase the cost of producers' goods and further deter purchases, although the demand for their products is probably relatively inelastic. The principal prospect of additional demand for such goods lies in the program of public works expenditures.

In spite of widespread evasion of the reëmployment agreement and the labor clauses in the codes, both directly and through the demotion of workers, considerable increases in payrolls have occurred. It is not possible, however, to segregate those attributable to increases in rates of pay in response to the

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TABLE III

FACTORY PAYROLLS 1933 [4]

(Base: 1923-5 = 100. Unadjusted)

	March	July	December
Manufactures: Total	36.9	49.9	53.1
Iron and Steel and Products	22.4	42.4	44.8
Textiles and Products	41.3	58.9	58.1
Food Products	59.8	68.2	78.1
Paper and Printing	63.3	67.8	77.2
Lumber and Products	14.3	24.6	27.5
Leather and Products	47.1	64.2	54.4
Cement	16.4	27.6	18.9
Glass, Plate	36 7	49.8	59.5
Automobiles	27.0	46.1	43.3
Rubber Tires and Tubes	31.7	69.7	59.0
Tobacco Products	36.0	47.3	50.4

policy of the administration, those due to increases in employment due to increases in the volume of sales indirectly due to this policy, and those due to increases in sales due to other causes. Between March and July employment increased in manufacturing by 23 per cent and payrolls by some 35 per cent, and by December employment had increased 25 per cent and payrolls about 43 per cent above their respective levels in March. Thus the major increases occurred before July, although slight additional increases occurred between July and December in the face of a decline of 25 per cent in the volume of production. In consequence very rough calculations of labor cost per unit of output show a decline of 26 per cent between March and July and an increase of 10 per cent between March and December. Table III indicates that the largest percentage increases in total payrolls over the whole period occurred in iron and steel, textiles, lumber and lumber products, plate glass, rubber tires and tobacco products. The absolute contribution of each industry to the increase in purchasing power by workers depends, however, upon the relative size of payrolls in the base period as well as upon the percentage increase in payrolls during the period.

[4] *Federal Reserve Bulletin.*

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TABLE IV

INDEXES OF WHOLESALE PRICES 1933 [5]

(Base: 1926 = 100)

	March	July	December
Building Materials	70.8	79.5	85.6
Lumber	57.8	75.9	88.0
Cement	81.8	88.2	91.2
Iron and Steel	76.4	77.7	83.6
Petroleum Products	33.1	41.3	51.6
Textile Products	51.3	68.0	76.4
Cotton Goods	50.0	80.2	85.5
Silk and Rayon	25.5	37.9	29.6
Woollen and Worsted Goods	53.2	72.3	84.3
Hides and Skins	41.4	88.7	74.9
Leather	55.6	78.0	80.1

III. Price Policy

This increase in output and payrolls was accompanied by an increase in prices, the major rise again occurring between March and July 1933, when wholesale prices rose 15 per cent. By December the increase was still only 18 per cent over the level in March 1933. The marked increase in the volume of production between March and July was accompanied by an increase of 8 per cent in stocks of manufactured goods, an increase in harmony with the assumption that dealers and manufacturers were speculating on increases in prices and costs. But when sales at the higher price level failed to carry off all current production, prices were not reduced; they were maintained or slighty increased, and, as we have seen, production was reduced between July and December to a point 25 per cent above its level in March. In spite of this reduction of output there was an increase of inventories by a further 7 per cent.

The principal increases of price are indicated in Table IV. These prices are, however, wholesale prices and there is considerable complaint that the custom of adding a fixed percentage to cost to cover distributing costs at each stage of the process of distribution results in increased charges for distribution whenever the wholesale price of the product increases and

[5] U. S. Bureau of Labor Statistics, *Wholesale Price Series.*

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irrespective of changes in the actual cost of distribution. In some industries the elimination of sales at less than the announced price, as well as the reduction and elimination of discounts and allowances of various kinds, caused considerable increases in actual prices not included in these figures. It has also been claimed that actual increases in the cost of paper, for instance, exceed those suggested by these averages because the prices of the important types have been drastically raised, while those of the less important have been raised very little.

The most remarkable feature of these changes is their reaction upon profits. Statistics of profits are even less adequate than the series already quoted, but it is notable that in 1933 some 1475 manufacturing and trading corporations obtained declared profits of 660 million dollars compared with an aggregate loss in the previous year of 97 millions.[6] Doubtless part of this improvement is due to the introduction of more efficient methods of production and organization and part to the fuller utilization of plant, but it is hard to reject altogether the suggestion that prices have been increased to an extent more than necessary to cover increases in payrolls. The deficiencies of these statistics are too obvious and numerous to specify; but there is no reason for rejecting the general conclusion to which they point, viz., that prices were raised between March and July and that between July and December production was adjusted to the new level of prices. The increase in profits suggests that the particular admixture of collectivism and individualism established by the act has failed to secure compliance with the President's plea for temporary sacrifices in the hope of later gain from the fuller utilization of the means of production. The maintenance of production in December at a level some 25 per cent above that in March must be attributed in large part to other aspects of government policy. Beginning in September, considerable amounts of purchasing power were placed in the hands of farmers in the form of crop allotment payments, and a little later the distributions made for Civil Works projects, Public Works and the Civilian Conservation Corps attained sizable proportions.

[6] *National City Bank Bulletin*, April 1934. Losses by some corporations are deducted from the total profits of others in arriving at this total.

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It is evident that the Recovery Administration has either contributed to or failed to prevent a considerable increase in prices. In order to decide how great has been its positive contribution in this direction, one must examine its policy in approving of codes of fair competition. Although the codes are intended as a means to the maintenance of fair competition, it is clear from a survey of the codes that the definition of "fair competition" upon which the administration of the act has been based passes far beyond any interpretation adopted by the courts before 1933, or any applied by the Federal Trade Commission in its Trade Practice Conferences. Indeed the codes permit for whole industries so great a concentration of control over production, price and investment policies that the legitimacy of continued reference to competition is doubtful.[7] The nature and degree of this concentration of control over the means of production is best indicated by a brief survey of the more important code provisions likely to affect prices.

IV. Policy concerning Methods of Concentrating Control of Industry

A. Control of Production

Although a number of industries, stimulated by a model code drawn up by the National Association of Manufacturers, presented draft codes providing for complete regulation of output and distribution of production quotas by the code authority, the administration has in general refused to approve such direct control of output. Nevertheless the codes of a miscellaneous group of industries, including iron and steel and cement, provide for consideration of the matter and the later presentation of plans for controlling output should they be thought necessary. Output control has been approved, moreover, in the

[7] This frank and far-reaching departure from the traditional lip service to competition was due partly no doubt to a failure to realize the full implications of the codes of fair competition offered by trade associations and other groups representing managerial and property interests in each industry. It was largely due, however, to a desire to secure the quick acceptance in each industry of some code in order to apply the policy of increasing payrolls as a means of stimulating business. It may also have been partly due to a desire to make a beginning with the establishment of comprehensive machinery of control.

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lumber and timber products,[8] petroleum [9] and copper industries, on the ground that these industries, being concerned with the marketing of a natural resource, call for special treatment. An examination of the policy followed in the exercise of these powers would be too lengthy and complex to be included here. It is notable, however, that the wholesale index of lumber prices generally, which by March was about 42 per cent below that of 1926, increased between March and December 1933 over 50 per cent; the price of Douglas Fir lumber increased nearly 100 per cent at the mill, that of yellow pine flooring 123 per cent at the mill and cedar shingles about 75 per cent. Petroleum products, which in March 1933 were 67 per cent below their price in 1926, had risen by December

[8] The code for the lumber industry provides that the code authority shall estimate every three months the consumption and exports of each division of the industry and establish a maximum output or quota of imports for each division of the industry in order to balance production and consumption. These total permissible outputs are allocated between all the producers in each division according to a complicated formula, every person known to be operating a plant being entitled to a quota.

[9] The code for the petroleum industry provides that a Federal agency to be nominated by the President shall estimate "the required production of crude oil to balance the consumer demand for petroleum products", due account being taken of "probable withdrawals from storage and of anticipated imports". The Secretary of the Interior (who was nominated as the agency to control the industry) was authorized to allocate this allowable total output for the country equitably between the various states; arrangements were also made for the further allocation of quotas to each pool, lease, or well within each state. Production in excess of these quotas is an unfair practice. Further power to enforce the restriction of output is given through the power vested in the President by the Recovery Act to regulate the shipment of petroleum and petroleum products from any state to the extent necessary to effectuate the purposes of the act where any state exceeds its total quota of production or fails to make an allocation of quotas within the state. Both the act and the code empower the President to regulate imports of oil and the code empowers the code authority (the Planning and Coördination Committee) to regulate withdrawals of oil from storage. The supply of crude oil for refining is, therefore, completely controlled. The code authority is also authorized to specify to all refineries the crude runs to stills necessary to maintain a proper ratio between inventories and sales in each district, and production of gasoline in excess of these quotas is an unfair trade practice, as well as the maintenance of inventories of gasoline in excess of those necessary to provide for necessary fluctuations in working stocks and to meet seasonal variations in demand.

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some 54 per cent; crude oil had risen in the Kansas-Oklahoma field by 130 per cent.

The maximum hours for which plant may be operated have been set in 24 of the first 180 codes. Attempts to secure voluntary restriction of the hours of plant operation were made as early as 1930 in the cotton textile industry but proved abortive owing to the lack of any power of enforcement.[10] This industry, however, led the way in securing compulsory restrictions upon plant operation; the code for the industry required the limitation of operations to two shifts of forty hours a week.[11] Similar clauses were introduced into the codes for many of the special branches of the textile industry, and a small number of codes limited operation to one shift of forty hours a week.

In general, limitation upon the hours of operation of plant to two-thirds or one-third of the possible hours tends to increase the cost of production. Even if there is no obsolescence, and a plant operating one shift a day has a productive life three times as long as one operating three shifts a day (which is improbable), the relative burden of interest charges is increased by such limitations on plant operation. In industries like cotton textiles the limitation has operated to distribute production more evenly among producers; i. e., it has been a "share the work" movement applied to equipment. Total output could, of course, be reduced and prices raised by a sufficiently large reduction in the maximum permissible hours of

[10] Simon N. Whitney, *Trade Associations and Industrial Control* (New York, 1934), p. 71.

[11] This rule was approved over the objection of some firms, especially those making surgical dressings, and rubber tire manufacturers producing their own fabrics. The clause was approved for the cotton industry to "prevent both undue market stimulation and undue market demoralization", to avoid the accumulation of "diseconomic surpluses" and (it was alleged) to aid large numbers of small firms which, lacking resources for more than two shifts, would otherwise be at a disadvantage. The clause was not expected to interfere with the fair competition of efficient producers nor with the interests of workers or consumers. The Report of the Administrator (annexed to the code) stated that two shifts were not likely to be used by more than half the mills. Beginning in December 1933 the administrator approved of further curtailments of the hours of plant operation in various branches of the textile industry and of the days of operation in the hosiery industry (Consumer Advisory Board, *Cotton Textiles*).

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operation. The limitation tends also to assist the less efficient producers to obtain business, more particularly if the entry of new capital is discouraged or if it is prevented by control.[12]

B. Direct Control of Prices

The Administrator announced soon after the act had been passed that it was not intended to emancipate business from the anti-trust laws so far as to permit agreements directly concerning prices. He has, however, retreated from this position in some 16 of the first 180 codes. In the cleaning and dyeing industry the code authority may prescribe "fair and reasonable minimum wholesale and retail prices by regions and/or local areas for the several services comprised within the definition of cleaning and dyeing". The Administrator stated that this clause was intended to terminate ruinous price competition which had resulted in wage-cutting, poor quality of service, and the threat to the existence of small shops—a plea which, no doubt, might have been advanced in many other fields.[13] The code for the cigar container industry permits the code authority to establish minimum prices,[14] and that for the graphic arts industries permits the issue of "price determination schedules" to serve as "guides of fair value"; modified authority to set minimum prices is also provided in the fur dressing and dyeing, domestic freight forwarding and wholesaling and distributing industries. In the course of the hearings upon the code proposed for the electrical products industry, however, the Administrator refused to authorize the code authority to fix fair prices because such power meant "arbitrary price fixing on the products of an individual manufacturer by a jury of his competitors".[15]

The most important codes permitting direct control of prices

[12] *Cf. infra*, pp. 189-190.

[13] He also referred to the racketeering with which the industry has been afflicted, although there is no obvious reason why such racketeering should be eliminated by this clause.

[14] The minimum may be neither more nor less than the weighted average cost of production, but must also take account of the competition between different kinds of containers and competition with other industries, considerations which can hardly fail to conflict from time to time.

[15] *New York Times*, January 5, 1934.

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are those for three industries concerned with the marketing of natural resources, in which "cutthroat competition has led to public disaster",[16] viz., soft coal, lumber and petroleum. The code for the soft coal industry authorizes the establishment of marketing agencies in each district which may determine the fair market price of coal necessary to enable operators to pay the minimum wage rates and to furnish employment.[17] The code authority in the lumber and timber products industry is authorized to establish minimum f.o.b. mill prices "to protect the cost of production" whenever it is satisfied that it can determine the cost of production, and that the setting of minimum prices will contribute to the accomplishment of the declared purposes of the code.[18] Minimum prices for imported lumber may be set by reference to the minima for the same or competing items, grades, sizes or species of domestic production.

The code for the petroleum industry contains far-reaching provisions for control of the price of oil and oil products, although these provisions were not unanimously approved in the

[16] Release by Consumer Advisory Board, October 4, 1933.

[17] If the member of the code authority representing the President fails to approve of any change in price it may not become effective without the consent of the Administrator. In the determination of this fair price, competition with other kinds of fuel and sources of heat production must be taken into account, but no specific provision appears to have been made to coördinate the price policies of the agencies in different districts. This clause was thought by the Deputy Administrator submitting the code to the President to be likely to relieve the industry of much cutthroat competition, to obviate the dumping of coal at ruinous prices, reduce materially uneconomic and destructive competition between fields, and do much to restore equilibrium between fields and promote the development of markets related geographically and economically to the producing centers. (Report annexed to the code.) A price war has since been reported, however, in Pennsylvania, West Virginia, Ohio, Illinois and Indiana (*New York Times*, January 13, 1934.)

[18] The minima are to be established "with due regard to the maintenance of free competition among species, Divisions and Sub-Divisions, and with the products of other industries, and other countries, and to the encouragement of the use of the said products". The code sets limits, however, to the minima that may be set (except for goods for export). The upper limit is "the current weighted average cost of production" in each division, the items to be included in costs being set out. The lower limit is the weighted average of costs excluding all depreciation and amortization charges and all charges for logs and other raw materials.

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industry [19] and were disapproved by the Consumer Advisory Board.[20] During periods in which the production of crude petroleum in any state is within the quota allocated to it, the sale of crude oil of a basic specification [21] at a price less than 18.5 times [22] the price per gallon of a basic specification of gasoline [23] (to the nearest cent) during the preceding month [24] is prohibited. Fair and equitable differentials are to be provided for other grades and oil in other locations. This device merely fixes the relationship between two of the most important products, but further provision was made for the fixing of the absolute level of prices. During an initial period of ninety days the President was empowered to establish detailed schedules of minimum prices for petroleum and petroleum products; sales below these prices are unfair. In the subsequent period, petroleum may not be sold below the recovery costs [25] and petroleum products may not be sold at prices which do not cover their average cost of production.[26] Control of the price of petroleum products has, however, been delegated by

[19] *Cf. New York Times*, November 12, 1933. Some of the larger and most of the smaller firms objected to this policy.

[20] Letter to the Secretary of the Interior, October 9, 1933, in which the Board appealed for a postponement of price fixing until a more comprehensive study of the problem had been made.

[21] Mid-Continent crude petroleum of 36° to 36.9° A.P.I. gravity.

[22] The constant 18.5 represents the relationship during the period 1928 to 1932 between the average price per barrel of crude oil of the basic quality prescribed and the average price per gallon of gasoline of the prescribed quality.

[23] Group 3 tank car price per gallon of U. S. motor gasoline of 60 to 64 octane rating.

[24] This average price is to be ascertained and declared by the Secretary of the Interior.

[25] In determining this cost the Federal agency is to determine the average cost of production of crude petroleum "and the fair economic limit of the cost of production in 'stripper' well areas [i. e. areas in which wells need to be pumped] which must be met to prevent the premature abandonment of such 'stripper' wells as may be found to be economically practicable of operation".

[26] The Federal agency is instructed to determine the "average costs" of economically refining, transporting and distributing petroleum and its products "for different areas and for different methods of marketing". The prices set for different localities and different grades "shall bear such relations as shall be fair and equitable". The Secretary of the Interior called for the information necessary to make these calculations on December 27, 1933.

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the Secretary of the Interior to a marketing agency [27] consisting of the refiners which is to purchase gasoline "which threatens the stability of the oil price structure" and dispose of it in an "orderly" manner so as to maintain the above relationship between the prices of crude oil and gasoline. The President is also authorized to set *maximum* prices for petroleum and its products, an authority not yet exercised. Thus the price of crude oil may not fall below the average cost of producing it nor the price of oil products below their cost of production. The price of gasoline may fall below neither its cost of production nor the price arrived at by applying the multiplier 18.5 to the price of crude oil. The considerable increases in the prices of lumber and oil between March and December 1933 have already been mentioned.

In the retailing trade the price of the service of the retailer is his "mark up", or the margin between the price at which he buys and the price at which he sells. Although attempts were made in some branches of the industry to set minima which would be generally applicable, the policy generally adopted has been to set the minimum "mark up" so low that it merely obstructs the use of "loss leaders", i. e. sales at prices which do not return to the retailer a reasonable proportion of his total costs of operation. The principal retail code prohibits sales at prices which do not cover the costs of the commodity to the retailer plus "an allowance for actual wages of store labor to be fixed and published from time to time" by the code authority.[28] Similar clauses appear in the codes for drug retailing, jewelry retailing, retail food and grocery, wholesale grocery, and paper distributing, although they are generally subject to a number of exceptions.[29] While there is

[27] Order of Secretary of the Interior, January 19, 1934.

[28] By an administrative order of April 6, 1934, the Administrator set the allowance for wages of store labor at not less than ten per cent of the cost to the merchant of the article sold.

[29] E. g. exempting storekeepers in places with less than 2,500 inhabitants and not part of a larger trading area; permitting lower prices to meet the prices of rivals complying with the clause and also permitting lower prices for food and other perishable products, *bona fide* clearances of discontinued lines, sales upon final liquidation, sales in large quantities, and sales to institutions and public relief agencies.

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an obvious danger in fixing the minimum price for retailing services in general, or even for specific products, there is little objection so long as the minimum is set so low that it could not be applied equally to all goods sold by a retailer. The "loss leader" tends to mislead purchasers concerning the general efficiency of the seller, although it is a form of advertising that, unlike most, directly benefits consumers.

C. Prohibition of Sales below Cost

Although the Administrator has opposed open price-fixing, with the foregoing exceptions, he accepted in 125 of the first 180 codes clauses prohibiting sales at prices which do not cover the cost of production.[80] The limitation of destructive price competition was one of the inducements to the acceptance of the act by business interests and, having been induced to increase their wage costs, they made a speedy demand for approval of these clauses to enable them to share with labor in the first fruits of recovery. In about one half of the codes prohibiting sales below cost of production, the costs of the individual seller set his minimum price, it being usually, but not quite always, provided that the code authority shall establish a uniform method of calculating costs. Should actual prices be set at the minimum thus calculated, differences in the costs of different firms result in difference in price. Where the products of the different sellers are comparable the lowest-cost seller is likely to obtain all the business, except where ignorance on the part of buyers prevents their discovering the lowest prices, or differences in transportation costs protect some firms. Thus the less efficient suffer not only from their higher costs, but also from the loss of business to rivals, which is likely either to accelerate their departure from business or, more probably, their recapitalization at lower levels. In fact, however, there is little doubt that sellers will refuse to comply with the rule rather than expose themselves to such dangers and that little pressure will be brought to compel them to comply.

In a large number of codes the less efficient are protected

[80] A detailed analysis of the clauses prohibiting sales below cost in the first 152 codes will be found in Camman, "Selling Below Cost Provisions in Industrial Codes", *N A C A Bulletin*, January 15, 1934.

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from these risks by a provision that they may sell below their own costs to meet the prices of a rival.[31] Thus a single minimum price is set for the industry as a whole although the only firm empowered to initiate resort to this price is the lowest-cost firm. Some codes simplify the situation by merely prohibiting sales at prices below the cost of production by the lowest-cost firm in the industry.

Rigid adherence to these prohibitions upon sales below cost in one or other of these forms would cause difficulty to sellers whose products had gone out of fashion, who had overestimated demand and were forced to sell in order to obtain liquid funds, who wished to liquidate their businesses, or who desired to dispose of discontinued lines or of second-grade products necessarily occurring in the normal course of production. In a large number of industries sales under such conditions or under some of them are excepted from the prohibition on sales below cost, but often with a proviso that such sales shall be reported to the code authority and practically all the codes which prohibit sales below cost empower the code authority to regulate the sale of goods in these classes. These exceptions are obviously a source of great weakness in the control of sales below cost, but without them the rule would be impossible of compliance in most industries.

The level of minimum prices resulting from the application of this clause depends entirely upon the methods of calculating costs that are approved by the Administrator. Nevertheless, references in the codes to methods of calculating costs display no uniform basis of calculation. A few codes prescribe whether raw materials shall be entered at their replacement or their original cost. Some provide for the addition to factory costs of an arbitrary percentage, uniform for all firms, to cover general management, taxes, selling costs and the like.

The most serious problem, however, during a period of sub-

[31] In some codes the authority to meet the prices of a rival is limited to meeting prices which do not themselves contravene the rule against selling below cost, in others prices in violation of the rule may be met provided they are reported to the code authority, or pending the taking of action thereon by the code authority. In some, competition instigated by the firm desiring to meet it may not be met.

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normal operation is that of calculating overhead costs including the depreciation and obsolescence of plant. If the full amount [32] of these costs is distributed over actual output the minimum price must be one which enables the lowest-cost firm to cover all its costs excluding interest. The resulting minimum price may be considerably above the existing level of prices and it is, of course, exceedingly probable that in some industries there is no price which will fulfil these requirements. The more general procedure is to adopt a "standard burden" for overhead costs. For instance, the amount to be included in unit costs in respect of overhead may be calculated upon the assumption that the plant is being utilized to 65 per cent of its full capacity. This device modifies the distribution of the recovery of overhead costs over time; less than the amount indicated by the rules adopted by the firm concerning depreciation and obsolescence is recovered from sales in periods when plant is operated at less than the standard rate, and more is recovered in periods when it is operating at more than the standard rate. The higher this standard rate of operation the lower, of course, will be the average cost of production which sets the minimum level of prices. Some codes prescribe this standard burden by reference to the actual rate of operation during a past period.[33] Others determine this standard by reference to the rate of operation of "reasonably efficient" plants during a past period. In the cement industry these costs are to be allocated by reference to the average rate of utilization by the one-third portion of the industry reporting the lowest average cost per unit in the period from 1927 to 1932.

Departures from the setting of minimum prices by reference to the costs of the lowest-cost firm are implied in such calculations of the standard rate of overhead burden by reference to the experience of the lowest-cost or any other class of firms. In fact there are many other such departures. In some indus-

[32] I. e., the share of overhead costs for the time period calculated according to the rules adopted by the firm concerning depreciation and obsolescence.

[33] In the canning and packaging machinery industry a firm may, with the consent of the administrator, use the costs for the last year in which it made profits.

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tries the minimum is set by reference to "reasonable costs" [34] and in others to the lowest costs of any representative firm.[35] The definition of representativeness is occasionally given, as for instance, that it may not exclude more than ten per cent of the firms,[36] that it shall exclude all firms whose capitalization is unduly low,[37] or that the representative firm is one engaged in a full line of activities including research and sales promotion.[38] Others may set the minimum price by reference to the weighted average of the cost of production by all firms [39] or to an average excluding at least 40 per cent of the members with the highest costs.[40] Where the representative firm is such that its costs are above the lowest costs in the industry the minimum price is, of course, higher than it would be if the costs of the lowest-cost firm were used; the use of a weighted average obviously also yields a higher minimum than the costs of the lowest-cost firm. Little or no attention appears to have been paid to the valuation placed upon plant, which valuation determines the amount of depreciation and obsolescence charges which are a large part of the annual overhead charge. Where the cost of the lowest-cost firm sets the minimum price this matter is of least importance, as that firm is least likely to be carrying its assets at inflated values, but where representative or average costs are used such inflated capital values may raise the minimum price.

Minimum prices cannot of course be determined by reference to actual costs; they must be calculated by reference to the past cost of producing similar commodities. Although minimum prices will be influenced by the frequency with which cost calculations are made, few codes prescribe the periods to be used in calculating costs, whether one, three or twelve months shall be the basis of calculation.

[34] Cast iron pressure pipe.

[35] Excelsior and excelsior products, refractories.

[36] Refractories.

[37] Rubber manufacturing.

[38] Refractories.

[39] Cigar containers, lumber and timber products.

[40] Slate industry.

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D. "Open Price" Policies

The second clause very generally found in the codes and likely to affect prices is that aimed at establishing the "open price" policies long sought by trade associations.[41] Such a clause appears in no fewer than 80 of the first 180 codes. Generally it provides that it shall be unfair to sell at prices below those published by the seller. To this provision practically all the industries adopting this policy add requirements that full lists of the prices of all products, with all discounts (including quantity and trade discounts) and sometimes the special charges made for delivery at different points, or departures from the standard products, shall be lodged with the code authority and that no price departing from this list may be charged unless a new list or notice of the change has been lodged.[42] In 72 of these 80 codes it is provided that a firm notifying a change of price may not change its actual price until after the lapse of a period varying from twenty-four hours to twenty days after the notice of change has been lodged. As soon as notice of change is received by the code authority, it is required to circulate the notice to all its members. A few codes leave the provision for publicity concerning prices at this point, but a great number provide also that any firm desiring to change its price, in response to a notice of change received and circulated by the code authority, may give notice of intention to so respond, and that such price change shall become operative at the same time as the change first notified. A few industries permit sales at below the price lodged in order to meet competition although the price then charged may be not less than the lowest price filed. In a few industries it is provided that discontinued lines, stocks that must be liquidated, damaged products and the like may be

[41] *Cf.* Federal Trade Commission, *Open Price Trade Associations* (1929), and A. J. Eddy, *The New Competition* (Chicago, 1916).

[42] In some industries these provisions for open prices apply only to those branches of the industry or products for which it has been customary to use net price lists, or price lists with discount sheets, and in some the code authority may order the application of this clause to branches or products in which such lists have not previously been used but to which it decides that they are appropriate.

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disposed of at less than the announced prices, although often subject to the supervision of the code authority. The petroleum industry merely requires the conspicuous posting of prices at the point from which deliveries are made and that all prices must remain in force for at least twenty-four hours. A very few industries provide that their lists shall be open to inspection by any interested person.[43]

The arrangements authorized in these clauses differ from those permitted prior to the act mainly in their requirement that notice of future prices shall be given, whereas formerly information concerning past prices alone could legally be exchanged. It is clear, as the Consumer Advisory Board has pointed out, that this "waiting period", together with the revelation of the identity of the firm lodging notice of change of price, exposes firms desiring to cut prices to coercion by those who prefer a policy of high prices. Largely for this reason it has been announced that no more such clauses will be approved.[44] The arrangement is also open to attack in that so few code authorities are prepared to make the price information available to buyers as well as to sellers. But whether or not the exchange of advance information concerning prices be prohibited, it is probable that information will be so speedily exchanged that uniform prices will result. It is reported, for instance, that the tenders for the supply of steel to the Navy Department have been uniform, with the result that the Department has selected its sellers by lot.[45] In various ways this policy is also calculated to discourage price cutting and therefore to induce a greater stability of prices. Not only are price-cutters exposed by the waiting period to intimidation but also the inducement to price cutting in the form of gains from business attracted from rivals in the period within which their prices are below those of rivals is reduced to small dimensions,

[43] Although it would not appear to be necessary if the open price clause is effective, most codes provide also that it shall be unfair to sell at discriminatory prices, i. e., to charge for similar products different prices to individuals in the same class. The falsification of invoices as to date or description of product is also usually pronounced unfair.

[44] *New York Times*, February 2, 1934.

[45] *Ibid.*, January 6, 1934. *Cf.* also Consumer Advisory Board, appendices to memorandum submitted to General Johnson Feb. 19, 1934.

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if not eliminated. New firms cannot hope to secure a footing in the industry by temporary price cutting. Doubtless, however, the mere presence of heavy overhead costs and excess capacity is a strong deterrent to short-term price cutting, even in the absence of these clauses. It is not possible to calculate the level of prices likely to prevail. Probably the clause obstructs downward changes of price and, as no firm is likely to raise its price without some assurance that the rest will follow, prices tend to be brought under the control of collective opinion in the industry. This tendency is encouraged by the all-inclusiveness of the code authorities, although discussions of price changes are not likely to be part of the official procedure of the authority. The flexibility of the price structure is also likely to be diminished owing to the importance attached in each industry to stable prices. For this dangerous consequence the Recovery Act is not to be blamed although it has facilitated rather than obstructed it. On the other side, it is claimed that the limitation of price cutting directs competition into the channels of service and quality. Even such a deflection withdraws from the purchaser the choice between better quality and more convenience at the old price and the old quality and convenience at a lower price. And in fact, the code authorities often endeavor also to restrict these types of competition.

E. Sales Practices

In general the codes, having reduced the prospect of price competition, proceed to reinforce the clause discussed above by others calculated to eliminate all possible methods of attracting the buyer by offering indirect advantages. Cash discounts are usually standardized. In 38 of the first 180 codes the discounts allowed to jobbers, wholesalers and retailers are also standardized, and often also the classification of buyers for the purpose of such discounts. Manufacturers have secured control of the resale prices of their products in the codes for the iron and steel, petroleum and a few other industries (a sharp departure from the law prevailing prior to the passage of the act) and 23 of the first 180 codes control conditions of resale in some respect. The code for the lead pencil industry goes so far as to regulate the number of pages that may be printed in

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color in catalogues but many others greatly restrict non-price competition.[46] Competition in quality and service is limited by rules requiring the standardization of products and the premiums and discounts from the prices for standard patterns when the goods supplied depart from these patterns. Estimating services, surveys, advisory services and the like are often limited as well as the giving of demonstrations and samples. A number of industries limit the guarantees that may be given concerning the performance of the product. The code for the petroleum industry prohibits the free supply of filling-station equipment to retailers and the repair of equipment already supplied. Zone and basing-point systems of regulating prices appear in a number of the codes including that for the iron and steel industry, and have been adopted even where not provided for in codes,[47] but their discussion involves too many complexities to be included here. Many of the codes also include prohibitions upon types of conduct which have long been generally regarded as undesirable.[48] While the main consequence of these rules is to implement the restrictions upon price competition, some of them incidentally obstruct the exploration of new methods of doing business and particularly rivalry in quality and service.

[46] The periods for which credit is allowed, the minimum initial payments on sales on the instalment plan, and the period of credit to be allowed, are standardized in a number of codes. Allowances for advertising services, the splitting of commissions with brokers and jobbers, the storage of goods in a customer's warehouse and sales with repurchase agreements are prohibited. Trade-in allowances, especially in the automobile retailing industry, are regulated. Reciprocal selling arrangements are prohibited, together with sales on consignment and the financing of purchases including the acceptance in payment of stocks and bonds. Some codes forbid the supply of a product of a grade superior to that ordered unless the price applicable to that grade is charged. Some prevent bidding without setting a separate price for each article to be supplied. Long-term contracts are prohibited in the iron and steel and petroleum industries. Guarantees against a decline in the price of the product during the continuance of contracts are frequently forbidden.

[47] E. g., Lumber and Timber Products.

[48] E. g., espionage upon rivals, inducing a breach of contract with rivals, bribery, *mala fide* threats of litigation, defamation of rivals or their products, false and misleading advertising, the substitution of goods for those ordered, style piracy, the infringement of trade-marks and copyrights, the fictitious marking-up of prices, giving coupons and prizes and chances in lotteries.

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V. The Underlying Problems of Industrial Control

It is evident that the administration has permitted a very large measure of concentration of the entrepreneur functions within each industry. Direct control of output and prices having been allowed in relatively few industries, this concentration has been principally effected through prohibitions upon sales below cost and insistence upon "open price" policies. Although their effectiveness will vary greatly from industry to industry (more particularly according to the number of firms in the industry and their relations with each other), these controls permit a very considerable transformation of price policy into a matter for administration by each industry.[49] It is equally evident from the statistics already quoted that this transformation has been accompanied by a notable rise in prices and their subsequent maintenance although production had to be curtailed to prevent an excessive accumulation of inventories. Criticism of this increase in prices raises two questions. One concerns the powers of the administration to prevent the increase and the other the proper basis for the determination of the price level most likely to stimulate production.

A. The Means of Control

The only machinery in the act permitting direct administrative control of the price policies of industries (outside those in which direct control of prices and output is authorized in the codes and in which provision is made for administrative supervision) is the power vested in the President to prohibit the operation of a business in any industry without a license

[49] The transformation from the conditions prevailing prior to the act will, however, not be so great as may appear at first sight. Various less direct methods of securing a measure of uniformity of policy already existed in industries mainly in the hands of large firms. Collective control has, however, been introduced into a large number of industries in which it did not previously exist, and the compulsion upon all members to submit to the control of the group, and the presence of legal sanctions, remove the main causes of the weakness of trade associations during the past twenty years and are likely to make collective control more effective than it has been in the past. While it is no more possible to write a code than to write a law that cannot be evaded, code authorities, some of which are heavily financed, have new weapons of control, e. g. the power to call upon alleged violators for repeated and expensive calculations of costs by accountants.

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granted by him upon such terms as he may prescribe, but subject, of course, to judicial review. It remains to consider the probable effect of indirect methods such as the withdrawal of the protection of the open-price or sales-below-cost clauses. Although the open-price clauses probably exert an upward pressure upon prices, they do not, as we have seen, determine prices. If these clauses were eliminated, on the one hand, the administration of the clauses prohibiting sales below cost would be hindered and, on the other, it is doubtful whether prices would be much reduced. Producers have now been brought together and introduced to the processes of coöperative price making. Nor were the clauses prohibiting sales at prices below cost of production of primary importance in determining prices during this first phase of the act. They were not brought into general operation because of the time required to establish uniform methods of calculating costs; many of the codes, moreover, required that the Administrator approve of proposed methods of calculating costs and the machinery for examining and approving proposed cost-accounting systems was slow in being established. In any event the policy of the administration in interpreting the phrase "cost of production" can at best set the minimum and not the maximum price. When these clauses become operative they may, however, result in the maintenance or increase of prices. It is nevertheless probable that considerable pressure could be exerted by the threat to withdraw approval of the code in an industry whose price policy was disapproved; the industry would then become subject to the anti-trust laws.[50]

B. The Criteria of Control Aimed at Business Recovery

The more important question concerns the criteria for the criticism of price policy. Comparisons of the rate of increase in the prices of different products are obviously too crude to be of any use. Comparisons of change in price with changes in the payrolls of an industry are equally crude. They suggest the extent to which, within the short period under review, an industry has contributed from its resources or from bank

[50] It would, however, also be liberated from the labor clauses in the code.

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loans to the expansion of purchasing power, but if increases in prices which do not exceed the increase in labor costs are regarded as beyond criticism the policy of increasing payrolls cannot possibly stimulate business activity in the manner planned. Moreover such comparisons ignore the possibility that production was being restricted in March 1933 by the maintenance of high prices throughout the depression. Yet no other criteria of price policy appear yet to be in use. Without such criteria, however, it is impossible to determine the price and output policy for industries in which prices and output are directly controlled or to frame the principles by which minimum prices shall be set under the clauses prohibiting selling below cost.

Prohibitions upon sales below cost acquire meaning and effect only through interpretation, and their interpretation involves, as we have seen, decisions of far-reaching importance. If the costs of the lowest-cost firm are used, what elements may be included in the calculation of cost? It is the policy of the administration that something more than direct costs shall be included. Interest appears usually but not always (e. g. Lumber and Timber Products) to be excluded. Should advertising costs be accepted or should they be scrutinized and only some such costs be accepted, and if so, which? Should salaries be similarly scrutinized? The main problem, however, is that of determining the amount to be included for overhead costs. In part this problem is one of distributing overhead costs over time; in this aspect it presents itself as the problem of determining the "standard burden" already referred to. In part it is one of determining whether, even over long periods, the present capital costs should be recovered in prices if conditions of demand permit; in this aspect it presents itself as the problem of determining whether, in the light of estimated demand in the future, and the amount of equipment in the industry, existing capitalized values are excessive. Where minimum prices are set by reference to some average of costs the nature of the average selected requires examination and the necessity for scrutiny of capitalized values and other costs is increased. In so far as acceleration of productive activity is

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the aim, these questions can be answered only by reference to some general dynamic economic theory.

At the present time, critical as we may be of the price policy accepted by the administration, all that can be said is that if prices had been lower the volume of business activity would probably have been greater, that existing resources would have been more fully used. It is difficult, however, to offer any guidance as to how much lower they should be. In some, but not all, industries, lower prices would have increased the volume of sales sufficiently to yield returns as high as upon a smaller volume at a higher price. Where, however, demand is little affected by price, or costs are little affected by volume, no such hope can be held out. The prevention of price increases when costs increase may cause failures and a redistribution of business favoring those with the lowest costs (owing either to greater efficiency or lower capitalization); more probably it would cause the reduction of the capitalization of the weaker firms. Such an adjustment of capital values to current prices and other cost levels is painful and discouraging to business. On the other hand, it is sometimes argued that the return of profitable operation is the surest stimulus to business recovery. But while recovery has in the past been marked by the return of profits, their return has been due to increased demand and sales. In so far as the Recovery Act, taken alone, implements the policy of seeking higher profits in higher prices and consequently less output, high profits indicate a shift in the distribution of a real national income (which the operation of the act tends to reduce) rather than expansion of demand and output. Higher profits might be claimed to offer a better chance for the recovery of industries making producers' goods because more profits provide more funds for investment. Their origin in restrictive policies is likely, however, to discourage their use in this direction.

C. Long-Term Planning

The acceptance by the government of a share in the responsibility for making industrial policy involves also consideration of long-run consequences. On the one hand the Recovery Ad-

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ministration must consider the less immediate effects of efforts to secure a fuller use of existing means of production and, on the other, it has in fact committed itself to efforts to reduce the chance of future collapses of business. The proper supervision of the use made of the existing codes and of the amendment of codes is impossible without some long-term plan. Even the consideration of the proper price policy during the present depression involves considerations of this type. Very low prices may cause the abandonment of plant that should be retained in view of the probable demand for the product over longer periods of time. It is necessary to balance the present losses from failure to use existing plant against future costs of investment in new plants if an excessive number of firms are expelled. The estimation of probable demand over long periods in the future is of course a matter of great difficulty, especially in the industries making constructional goods. It may be that no attempt should be made to restore these industries to full operation on their present scale. The productive capacity of the lumber industry, for instance, is calculated to exceed the actual output in any past period. Decision in this matter turns upon the future distribution of purchasing power between investment and consumers' goods, which will be influenced by the nature of discoveries of new goods and of new methods of production, as well as by the general distribution of incomes.

Long-term planning is also essential to the administration of the clauses in a number of the codes restricting long-term investment. It is notable that such restrictions were obtained in 27 of the first 180 codes in spite of the unprofitableness of business at the time when the act was passed, and in spite also of the limitation of the operation of the act to two years (unless it is renewed by Congress). Regulations issued under the code for the cotton textile industry require all producers to register their productive equipment with the code authority: the installation of new equipment that would add to the capacity of the industry is prohibited unless the Administrator has certified that its installation would be consistent with the policy of the act, exceptions being made for installations " for replace-

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ment of a similar number of units of productive equipment or to bring the operation of existing productive machinery into balance." [51] Substantially similar provisions are included in the code for the cement industry and a number of other codes [52] provide for the later presentation of recommendations on the subject by the code authority. The construction of new blast-furnace, open-hearth or bessemer steel capacity is prohibited in the code for the iron and steel industry.

Phrases in a number of these codes suggesting that new investment shall not be permitted so long as the capacity for production is capable of meeting existing demand altogether fail to reveal the underlying difficulties. The first essential to the exercise of this power is an analysis of the price at which a new and technically efficient plant could sell at a normal profit. Then the probable future demand *at this price* needs to be calculated and compared with the productive capacity of the industry in the area and new plants sanctioned whenever the demand thus calculated appears to justify them. This policy may mean the establishment of new plants when existing plants are not fully occupied, either because an increase in demand is expected, or because existing prices exceed the cost and normal profit of a technically efficient plant as above calculated. The current price may exceed this limit either because profits are abnormally high or because the costs of existing plants are above those of a new and efficient plant. Such a policy would place the industry in a position approaching that under competition and would tend to secure commodities for consumers at a price approximating minimum costs in a technically efficient plant.

A proposal such as that in the code for the cement industry for the closing down of redundant plants goes beyond control of expansion and suggests control also of the contraction of the amount of equipment and is a matter of more present interest. It raises questions concerning the basis of calculating redun-

[51] *New York Times*, October 19, 1933.

[52] E. g., fertilizer, limestone, piano-manufacturing, rubber footwear, paper and pulp, and rubber tire. In the structural clay products industry the opening of plants closed for three years is also subject to the control of the code authority.

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dancy and the distribution of the burden of investments made in the past and proved by subsequent events to have been unwise. In order to determine how much productive capacity is redundant it is again necessary to estimate future demand at prices at least not greater than will cover costs in a technically efficient plant operating at the average capacity likely to be attained if sufficient plants are retained to meet demand at this price during periods of most active business.[53] It is then possible to calculate the amount of productive capacity that might be called redundant, but it is then necessary to select a basis upon which to allocate the cost of ejecting redundant plants from the industry, and a basis for selecting the plants to be ejected. It is wasteful to scrap plants capable of producing goods that can be sold at a price that will yield any contribution toward the cost of plant. If the redundant plants, selected by reference to age, efficiency and location, are to be withdrawn and are purchased by the surviving firms [54] at prices representing, presumably, the capitalized value of the excess of expected revenue from sales over the direct cost of making such sales, the costs of the survivors will be increased and it is then necessary to decide whether these payments may be regarded as costs such that the surviving firms may restrict output to secure revenues from sales that will cover them, as well as other costs. If this course is permitted the burden of unwise past investments may be placed upon purchasers of the product [55] and it is reasonable to claim that, in calculating permissible rates of profit, it shall be remembered that the risks of such unwise investment will be partly borne by consumers and only partly by investors.[56] Moreover, control of long-term investment is likely, as soon as new investment is permitted, to

[53] Assuming that no plan for controlling the cyclical variations of output by the control of prices in each industry is envisaged.

[54] As for instance in the British Shipbuilding Industry.

[55] It can be so placed only if prices *can* be raised to a level at which revenue from sales covers all costs, i. e., only if the demand for the product is sufficiently inelastic.

[56] The risks still fall partly upon investors if the price at which redundant plants are purchased is based upon their earning power in an industry in which there is excess capacity.

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place upon the Administrator the politically difficult task of selecting the persons who may enter the industry.

D. The Balance of Group Interests

The acceptance by the state of a share in the making of industrial policy also necessitates arbitration between the interests of different groups. Considerations of the efficiency of the economic machine as a whole can offer only a partial guide in making policy. The distribution of gains and losses arising out of economic change under conditions of free competition has customarily been treated in terms of efficiency. Such gains and losses are the attracting and repelling forces inducing movement toward an equilibrium. But the mechanism of industrial control provided in the Recovery Act has developed out of a system in which the presence of large industrial units producing with the use of durable capital gives rise to large departures from equilibrium for considerable periods of time. Where direct control is substituted for adjustments made in response to gains and losses, the making of policy necessitates ethical decisions concerning the proper distribution of these gains and losses. In a time of general business depression such as the present it is necessary to decide how great an immediate burden of loss shall be placed upon investors and upon workers in order to reduce unemployment and increase the real national income. In the longer period, if industry groups are allowed to coöperate in making price policy, they seek to charge prices that preserve the capital value of all existing plants; if they are permitted to remove from production plants decided by them to be redundant, their criterion of redundancy will react upon prices, and their distribution of the cost of the withdrawals among the firms remaining in the industry will affect the cost of production. In both these cases it may be necessary to determine the proper distribution between investors and consumers of the consequences of past errors in investment. The measure of the penalty for inefficiency determined by the relation between permitted prices and the range of costs again involves a consideration of the immediately conflicting interests of producers and consumers.

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The determination of general wage policy involves a balancing of the interests of workers against those of investors and consumers. If the small firm is to be protected it will sometimes be found that it is less efficient than the large, and non-economic reasons for its preservation will have to be found. Policy concerning night work and child labor involves also consideration of economic interests over a period of time longer than has been compassed by employers in the past. In industries dealing with exhaustible resources determination of the proper output and price involves consideration of the proper distribution of the supply of the resource over time. The ethical aspects of policy are not of course capable of segregation from the problems of efficiency. So long as any important element of private ownership of industry is preserved, it is essential to take account of the reactions of the policy pursued in dealing with these ethical questions upon the behavior of savers, investors, managers and workers.

In view of this necessity for acknowledging the ethical elements in industrial control it is essential that some means be found of securing to all the interested classes an opportunity to present their claims. Participation by all the major interests in the making of policy is also essential, because even planning for efficiency involves the estimation of future demand and future sources of supply and methods of production upon a basis that must often be very tenuous. Furthermore such participation is necessary even in the interests of general economic efficiency. The tendency to seek profits from increases in price rather than the expansion of business activity is a natural consequence of the elevation of the trade association to a position of industrial control within its industry. Trade associations now seek to pursue the policies after which they have been less successfully striving for the past twenty years.[57] But it is evident that a policy of gaining by restrict-

[57] The similarity between the objectives of trade associations and the powers obtained under the act is strikingly revealed by a comparison of the powers granted to the typical code authority with the list of the practices of the Sugar Institute attacked by the Attorney General in *U. S. v. Sugar Institute* (see the Briefs of the Attorney General and Counsel for the Sugar Institute).

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ing output which is practicable for a single industry cannot be generalized for a whole society. Some protection against this tendency can be obtained if the interests of consumers can be more effectively voiced than they have in the immediate past.

The appointment of the Business, Labor and Consumer Advisory Boards formally recognizes the necessity of considering the views of the three main interests in production but the recognition is only formal and the boards are merely advisory. In a country in which the interests of workers are almost, and those of consumers are entirely unrepresented by any organization, while those of ownership and management are well represented by very efficient organizations, the state must necessarily act, not only as arbitrator between conflicting interests, but also as the active representative of two of them. Political and economic stability both require that present concentration of economic power be not used merely to further the aims of trade associations without full consideration of both their ethical and their economic aspects. While the codes adopted during the initial period are the work of a hastily organized department faced with an impossible task, it is essential that in the future the approval of codes and of amendments to codes and the supervision of the exercise of powers granted under codes be based upon a more considered policy. If Congress agrees with the President that "we have created a permanent feature of our modernized industrial structure" which will prevent both ruinous rivalries in industry and monopoly and restraint of trade "under the supervision but not the arbitrary dictation of the government itself"[58] it is essential to the success of this fundamental change in industrial organization that it be guided by reference to considerations more far-reaching than an estimate of what representatives of industry will accept without protest. Essential reform must necessarily involve from time to time the imposition of policies distasteful to the class that is most highly organized and articulate.

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[58] Message of President Roosevelt to Congress, January 3, 1934.

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THE BRITISH BONDHOLDERS AND THE ROOSEVELT COROLLARY OF THE MONROE DOCTRINE

CONDITIONS in the Dominican Republic—a small Afro-Hispanic nation with a population of about eight hundred thousand, an area of less than twenty thousand square miles, a turbulent political history, and a national debt of some thirty or forty million dollars—furnished the occasion for the announcement of Theodore Roosevelt's "Corollary" of the Monroe Doctrine. The motives for the application of the "Corollary" to this republic at that particular time have not been sufficiently investigated. Nor has adequate attention been given to the attitude of the European nations with reference to Roosevelt's new policy and its application. The writer of this article hopes to make a small contribution relative to these two rather complicated subjects (1) by suggesting briefly what influence British bondholders may have exerted upon the initiation of the customs receivership in the Dominican Republic and (2) by describing at considerable length how the "Roosevelt Corollary" and its application were received by these bondholders.

I

President Roosevelt formulated his famous "Corollary" in May rather than in December of 1904. On May 20 of that year, in a letter written to Elihu Root, then secretary of war, Roosevelt remarked:

> If a nation shows that it knows how to act with decency in industrial and political matters, if it keeps order and pays its obligations, then it need fear no interference from the United States. Brutal wrong-doing, or an impotence which results in a general loosening of the ties of civilized society, may finally require intervention by some civilized nation, and in the Western Hemisphere the United States cannot ignore the duty.[1]

[1] Quoted by Henry F. Pringle, *Theodore Roosevelt: A Biography* (New York, Harcourt Brace, 1931), p. 295.

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This statement of the "Corollary", which was read by Root at Roosevelt's suggestion during a banquet in New York City on the evening of May 20, 1904, and has generally been overlooked by scholars, is in most respects similar to the formula contained in Roosevelt's familiar Annual Message of December 6, 1904.

In proclaiming this new phase of the Monroe Doctrine and taking charge of the Dominican customs (April 1905), the President was doubtless actuated by many motives. There are indications that he may have been influenced somewhat by the British government and British capitalists.

This is at least suggested in a letter which he wrote to Root on June 7, 1904; for in this letter Roosevelt said: "If we are willing to let Germany or England act as the policeman of the Caribbean, then we can afford not to interfere when gross wrong-doing occurs. But if we intend to say 'Hands off' to the powers of Europe, sooner or later we must keep order ourselves." [2]

And evidence of a more conclusive nature suggests that British bondholders, with the actual or potential support of their government, may have been partially responsible for a step on the part of the Roosevelt administration which appears to have precipitated the crisis that soon resulted in the initiation of customs control in the Dominican Republic. The San Domingo Improvement Company, with its chief office located in New York, was deeply involved in Dominican finances and concessions. This company, with three subsidiaries—the National Bank of Santo Domingo, the Central Railway of Santo Domingo and the San Domingo Finance Corporation of New York—had close connections with the British bondholders and was heavily indebted to them. In 1893 it took charge of Dominican customs and the flotation of Dominican loans, but eight years later (January 1901) it was deprived of these functions, whereupon both the Improvement Company and the British bondholders appealed to the United States Government,[3]

[2] Quoted, *op. cit.*, p. 296.

[3] Francis B. Loomis, in his "Memorandum for the Secretary of State on the Dominican Republic", dated March 19, 1904, says that some £175,000 of

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the bondholders apparently making their appeal through the British minister in Washington.

Immediately the State Department gave the company vigorous backing, and settlements were eventually reached (January 31, 1903 and July 14, 1904) by the terms of which the company was to receive four and one-half million dollars for its properties, rights and claims in the Dominican Republic. This sum was to be paid in monthly instalments and guaranteed by certain customs-house receipts.[4]

In the meantime, however, French, Italian, Belgian, Spanish and German creditors, observing that the United States was firmly supporting the Improvement Company, began to press the Dominican Government more vigorously for a settlement of their claims, and forthwith occurred a scramble for Dominican revenues. When these creditors learned the terms of the agreements with the Improvement Company, they protested loudly, declaring that the customs mortgaged to the American company had previously been hypothecated to them.[5]

The *dénouement* was hastened by conditions in the Dominican Republic. This distraught and bankrupt little nation was unable either to meet its obligations to the French, Belgian, Italian, Spanish and German creditors or to comply with the terms of the agreements with the Improvement Company; and

Dominican bonds were owned in England and that "a considerable portion" were "pledged to creditors in England". He then continues (p. 5):

"The bonds owned in America are those of the San Domingo Improvement Company and its allies, and such of these bonds as are pledged in England are pledged to friends of that company. . . . All the bonds held in England, whether owned there or only pledged, are represented by the Council of Foreign Bondholders, who are acting in entire harmony with the Improvement Company. . . .

"In December, 1901, the Council . . . applied to the British Government to instruct Lord Pauncefote to enter into communication with the United States Government with the object of taking joint action, so as to put pressure on the Dominican Government. . . ."

[4] Loomis, *op. cit.*, p. 6; Jacob H. Hollander, "Report on the Debt of Santo Domingo", MS., State Department, Special Agents, vol. 49.

[5] The documents upon which this paragraph is based are too numerous to cite in detail. See, *inter alia*, State Department, Despatches, Dominican Republic, vols. 7-11, and Loomis and Hollander, as cited.

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the company at length proceeded to take charge of the customs houses of Puerta Plata (October 20, 1904) and Monte Cristy (February 10, 1905). In order to maintain its agents in these two ports, however, the aid of war vessels soon became necessary; and, since the United States could hardly afford to take such a vigorous stand in support of the Improvement Company and its British creditors without extending some assistance to the claimants of continental Europe as well, Roosevelt finally determined to intervene, inaugurate an official customs recevership, and distribute the proceeds among all the creditors.[6]

Writing in 1908, the Council for the British bondholders remarked: "There is no doubt that the Protocol [of January 31, 1903] and the Award [of July 14, 1904] led to the present intervention of the United States in Santo Domingo."[7] The series of events just narrated tends to support this view; and, if it be the correct view, the British bondholders who exerted their influence to secure Roosevelt's backing for the San Domingo Improvement Company may be in a measure responsible for the intervention of the United States in the Dominican Republic and the promulgation of the "Corollary" occasioned by that intervention. At any rate, it appears that these bondholders approved of the initiation of the Dominican customs receivership.

[6] In advocating his new policy, Roosevelt frequently alluded to the menace of European intervention. The limits of this article preclude a discussion of this phase of the subject. It may be remarked, however, that a careful examination of all the pertinent correspondence in the State Department has left the present writer unconvinced. Moreover, it may be recalled that the Russo-Japanese War broke out in February 1904, and that the Moroccan affair developed rapidly toward a crisis after April 1904. So far as European powers were concerned, it appears that Roosevelt was free to intervene or to refuse to intervene in Santo Domingo at any time between the outbreak of the Russo-Japanese War and the final adjustment of the Moroccan question. But he could not without grave injustice back one group of creditors without aiding the others or permit any European power to give aid exclusively to one group of creditors. Nor would it have been in accord with his prevailing characteristics to declare himself in favor of a general "hands off" policy while all foreigners in the Dominican Republic suffered the injurious effects of bankruptcy and chaos.

[7] *Thirty-fifth Annual Report*, p. 360.

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II

Their attitude toward the application of the new policy in its various phases is another and longer story. Its main threads may be discovered in the Annual Reports of the Council of the Corporation of Foreign Bondholders.

In the report for 1904-1905 the Council noted "a very remarkable appreciation in the market value of Spanish-American Securities." The price of the bonds of Costa Rica and Honduras had more than doubled during the year; those of four other Caribbean states had risen from nine to twenty points. "It is understood," said the Council

> that the increase in values is largely due to the idea that the recent utterances of President Roosevelt with regard to the Monroe Doctrine were intended to indicate that the United States Government would not allow the Spanish-American Republics to take advantage of the protection afforded them . . . in order to evade the payment of their liabilities to their foreign creditors, and that if they did not . . . "act with decency in industrial and political matters, keep order and pay their obligations," the United States would take steps to compel them to do so.

The Council hoped that this might prove to be the case. It was compelled to add, however, that the "attitude of the United States Government in connection with Panama, Santo Domingo and Guatemala" could not be "regarded as affording the English Bondholders much cause for congratulation."

Panama, now independent, had not "come forward to assume and pay its equitable share of the Colombian Debt." The Council had appealed in vain to Roosevelt to apply his "Corollary" in this case.[8]

As for the Dominican Republic, the United States had not only suspended the Improvement Company's Award of July, 1904, under which the bondholders had been hopeful of an

[8] These appeals may be found in State Department, Miscellaneous Letters, March 9 and April 28, 1904. In a communication of January 26, 1905, the Council urged Roosevelt to assume the rôle of arbiter in order to determine Panama's share of the Colombian debt.

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immediate settlement, but had taken charge of the customs of this republic and was depositing fifty-five percent of the customs receipts, including those especially hypothecated under the award, in a New York bank, which had not as yet transmitted a penny to the British bondholders.

The president of Guatemala had refused to approve the agreement signed by his agent with the British bondholders in July 1904, but had proceeded to negotiate two loans amounting to three and one half million dollars with an "American Syndicate", loans secured by revenues—coffee warrants and import duties—already mortgaged to the British bondholders. And, worse still, a duplicate of the loan contract was deposited at the legation of the United States in Guatemala City and the American Syndicate was to have the right to "solicit the protection of the United States against any violation" of the "stipulations" of its contract.[9]

The Thirty-third Annual Report of the Council (1905-1906) gave much attention to the new Roosevelt pronouncement. The Council observed that as the United States increased in power, there was a marked tendency to expand the scope of the doctrine originally proclaimed by President Monroe; and that this "extraordinary development of the Monroe Doctrine naturally caused it to be regarded with dislike, especially by those nations who had invested large sums in the Latin-American Republics".

> It became evident [continued the Council] that in order to evade payment of their obligations the dishonest Republics were taking deliberate advantage of the hostility displayed by the United States Government towards the attempts of European Governments to obtain redress for their subjects. It was contended, therefore, that the position assumed by the United States . . . carried with it obligations and responsibilities towards those to whose interference they were so strongly opposed.

[9] *Thirty-second Annual Report*, p. 12, *passim*. On January 3, 1906, a London clerk made a pathetic appeal to President Roosevelt for assistance in the collection of defaulted payments on bonds of the "dishonest" Republic of Guatemala. The clerk declared that he was in his seventy-fifth year and "working by the hour" for a living (J. J. Nicks to Roosevelt, State Department, Misc. Letters).

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> That this contention was well founded has been admitted by the present distinguished President of the United States. . . .[10]

It is evident from their report that the members of the Council had read with interest Roosevelt's New York address of August 11, 1905, in which he dwelt at length upon his new interpretation of the Monroe Doctrine.[11] They rejoiced at the President's admission of the "duty" of the United States to see that its Spanish-American neighbors behaved with "decency" and paid "their obligations"; but they could not conceal their impatience. They remarked that in view of Roosevelt's pronouncements, it was "somewhat disappointing to find that although Costa Rica, Guatemala and Honduras have [had] failed for six, eight and thirty-four years respectively, to meet their obligations, nothing . . . has [had] yet been done by the United States . . . in the direction indicated."

Closely related to Roosevelt's "Corollary" was his policy of imposing peace upon the states of Central America, a policy which he initiated in the summer of 1906. The Council greeted with approval his disposition to coöperate with Mexico in an attempt to preserve the peace between Guatemala, Honduras and El Salvador.

Moreover, the Pan-American Congress which met at Rio de Janeiro in 1906 considered two other matters which had an obvious bearing upon Roosevelt's new doctrine: namely, the questions of arbitration and of the extent to which force might be employed in the collection of pecuniary claims. The Council thought that the delegates of certain Latin-American states went to the Rio assembly with the determination (1) of presenting a universal arbitration agreement to Europe as a "sort of ultimatum from the whole American world", and (2) of endorsing the Drago Doctrine which held that debts owing to citizens of one country by the government of another country might not be collected by force. The Council felt that Secretary Root had been responsible for the defeat of both of these

[10] *Thirty-third Annual Report*, p. 19.

[11] This address was printed in the *New York Times* of August 12, 1905.

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projects and was duly grateful. In this connection it remarked:

> The action taken by Mr. Root with regard to both these proposals is certainly to be commended, and the Council submit that it would have been extremely unfair to adopt any such Resolutions as that proposed by the supporters of the Drago Doctrine without hearing the arguments of the creditors against whose claims the doctrine is expressly formulated.[12]

Such were the views of the British bondholders as expressed in 1906. In its report for the following year the Council revealed several instances of conflict between the capitalists of England and the United States in Latin America. The government of Ecuador had diverted to the Guayaquil and Quito Railway, owned by citizens of the United States, certain funds which should have been paid to British bondholders. The government of Guatemala had continued to alienate to an American syndicate under the protection of the United States certain funds which should have been transmitted to the "External Bondholders", namely, to the British. Honduras, without consulting its creditors, was negotiating with the United Fruit Company for the lease of the Inter-Oceanic Railway upon which the British bondholders held a first mortgage. And the United Fruit Company was also attempting to dissuade Costa Rica from levying an export duty on bananas.

In regard to the action of Guatemala, the Council remarked:

> It is to be regretted that the Government of the United States have given their sanction to the arrangement with the American Syndicate by taking formal note of the contract made between the latter and the Government of Guatemala. Both the alienation by the one Government of the securities on which the Bondholders have the first claim and the protection granted by the other to those to whom these securities have been alienated, appear to the Council to be flagrantly unjust, and they earnestly protest against the action of both Governments concerned.[13]

[12] *Thirty-third Annual Report*, p. 22.

[13] *Thirty-fourth Annual Report*, p. 30.

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With reference to the procedure of Honduras in negotiating with the United Fruit Company in respect to the Inter-Oceanic Railway, the report for 1907 stated:

> The Council have made strong representations to H. M.'s Government against such proceeding, which would render the chance of any settlement still more remote. It is to be hoped that the Government of the United States will not in this case support any attempt to deprive the English Bondholders of their prior rights.[14]

Again, where was Roosevelt with his "Corollary?"

Moreover, the Council was still quite dissatisfied with the application of the new doctrine to the republic whose conduct occasioned its promulgation. After having suspended the operation of the award to the Improvement Company for a period of more than two years, Roosevelt had now permitted Santo Domingo to scale down this award in which the British bondholders were so deeply interested, so that they were receiving much less in cash for their bonds than were the Belgians or the French.

The Council was pleased, however, by the action taken at The Hague in respect to the Drago Doctrine, for the Peace Conference which assembled there in 1907 had rejected this doctrine in favor of the Porter Resolution, introduced by a citizen of the United States, which stipulated that none of the contracting powers would resort to force in collecting contract debts unless the debtor state should disregard an offer of arbitration or, after having accepted the offer, should fail to submit to the award. But the Council could not restrain itself from suggesting that the defaulted debts of some of the Central American States furnished urgent cases for arbitration proceedings.

Lastly, the Council expressed approval of Roosevelt's continued efforts to preserve peace in Central America. Regarding the work of the Central American Peace Conference which convened in Washington in 1907, the Council remarked:

[14] *Ibid.*

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> It is to be hoped that the Governments . . . will ratify and loyally abide by these Treaties, and that they will have the effect of putting an end to the constant quarrels which have hitherto been such a serious factor in retarding the development of the countries concerned. In the case of the states which are in default, the money hitherto spent in armaments may now well be devoted to the payment of their debts.[15]

In its *Thirty-fifth Annual Report* (1908), the Council noted that its financial difficulties with Ecuador had been settled; that Costa Rica, Guatemala and Honduras were still in default; but that the remainder of the Latin-American states were meeting the services on their foreign loans. With reference to the three remiss Central American republics, it once more expressed its "regret that the Government of the United States has [had] taken no steps to give effect to the frequent utterances of President Roosevelt with regard to the proper application of the Monroe Doctrine in the case of these defaulting countries." It also reiterated the complaint regarding the alleged unfair treatment of British bondholders in the settlement of the Dominican debt; protested a third time against the action of the United States in supporting the "American Syndicate" which had alienated the security of the holders of Guatemalan bonds; noted that attempts on the part of Speyer and Company of New York to arrange the foreign debt of Costa Rica had been unsuccessful; and pointed out that Costa Rica had not yet secured the consent of the United Fruit Company to an export tax on bananas.[16]

Theodore Roosevelt was no longer President of the United States when the Council made its next *Annual Report* (1909), but the Council referred once more to Roosevelt's "Corollary" of his predecessor's Latin-American policy. The Council also evinced a growing impatience, remarking:

> The Council have long hoped that the Government of the United States would give effect to the declarations made by Mr. Roosevelt during his Presidency that it was the duty of the United States to see that these defaulting Spanish-American

[15] *Op. cit.*, p. 15.

[16] *Thirty-fifth Annual Report*, p. 17, *passim*.

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> States pay their Debts. In his recent Message to Congress, President Taft has stated that neither the Monroe, nor any other doctrine of American diplomacy, must be permitted to operate for the perpetuation of an irresponsible Government or for the escape of just obligations. These are fair words, and the Council trust that they may result in some practical benefit to the British holders of defaulted Spanish-American bonds.[17]

Taft did continue Roosevelt's Caribbean policy, but his "fair words" were not destined to prove any more helpful to British bondholders than had Roosevelt's. "Dollar Diplomacy" was not strictly a program of benevolence toward Europe. In 1911, for instance, the Council wrote:

> There are, at present, four Spanish-American States in default, . . . Guatemala, Honduras, Nicaragua and Ecuador; and it is a significant fact that in each of these cases the security preferentially pledged to the Bondholders has been either wholly or partially alienated to citizens of the United States.
>
> Thus in Guatemala, an American Syndicate has had possession of the coffee export duties for many years past; in Honduras the railway has been leased to an American Company; in Nicaragua, an American group is collecting the Customs Revenues; and in Ecuador, fifty per cent of the Export duties has been given as security for an American loan.[18]

But space does not permit the narration of this part of the story. For the present, we must confine ourselves to Roosevelt's own application of his famous "Corollary".

III

In conclusion, it may be said that the British bondholders probably exerted some influence in starting that series of events which began with Roosevelt's vigorous support of the San Domingo Improvement Company and ended in the inauguration of the Dominican customs receivership; that the bondholders approved the Roosevelt "Corollary" in principle, but that they objected to certain details in its application and

[17] *Thirty-sixth Annual Report*, p. 14.

[18] *Thirty-eighth Annual Report*, p. 13.

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became impatient because of narrowness in the scope of the policy or tardiness in its enforcement. The Council of the Corporation of Foreign Bondholders complained, for instance, because the British received no compensation for the period during which the Improvement Company Award was suspended and because the award was discounted ten per cent. It also voiced disappointment because the policy was not more widely and speedily applied in the Caribbean, expressed irritation on account of the procedure of capitalists from the United States, and urged that the Washington government should take Ecuador also in hand.

Finally, it is well to bear in mind that the Council was interested in *past* rather than in *future* investments. If it had been representing prospective investors, it might have refused even qualified approval of Roosevelt's policy, for the tendency of the "Corollary" was to substitute Yankee loans for British.

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COLLECTIVIZATION OF AGRICULTURE IN THE SOVIET UNION II *

IN the summer of 1930 the Sixteenth Party Congress decided to revive the old policy of speeding up the development of collectivization. The possibility of new difficulties arising from such a course was believed to have been obviated by the governmental measures introduced in March of the same year. The immediate basic consideration which prompted such a policy is revealed by the following excerpt from the Congress Resolution: "The progress of the Spring sowing campaign of 1930 shows that on the basis of collectivization and the creation of State Farms, the Party is succeeding in solving the very difficult grain problem." [123] This statement made on the eve of the harvesting of the crop was partially substantiated, judging by the amount of grain with which the collectives supplied the State. In the year 1930 the collectivized farms turned over to the State at fixed prices over 75 million quintals of grain. This was three and a half times the amount sold by the kulaks in 1927-28,[124] or 1.6 times the amount of grain sold by the landed estates before the war. A comparison of this result with the quotas as announced showed that the grain collections had exceeded the quota limits. But notwithstanding this achievement, the fact remained that the gross output of the collectives was only slightly more than 26 per cent of the total grain output of the Soviet Union.[125] Allowing for a 5 per cent output contributed by the State farms, it is found that 69 per cent of the total grain production was concentrated in the individual agricultural sector. The predominance of the latter indicated that the State had

* The first part of this study was published in the POLITICAL SCIENCE QUARTERLY for March 1934.—ED.

[123] Iakovlev, I. A., *Red Villages* (New York, 1931), p. 112.

[124] *Shestoi Sezd Sovetov* (*The Sixth Congress of Soviets*), stenographic report (Moscow, 1931), p. 14.

[125] *Economic Review of the Soviet Union*, May 15, 1932, p. 240.

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achieved only a partial solution of the grain problem. The Communists believed that if the above relationship should be reversed, the State would solve the grain problem completely, i.e., increase the supply for both home and foreign markets, create a solid fodder base, and facilitate the development of animal husbandry and technical crops. And in their opinion, nothing short of complete and rapid collectivization could achieve that result. Hence the resolution of the Sixteenth Congress: "*To undertake a thorough revision of the Five-Year-Plan for the Development of Agriculture* on the basis of the tempo of collectivization established in the decision of the Central Committee [of the Communist Party] of January 5, 1930," [126] that is, on the basis of a thorough collectivization of the individual peasant farms.

The policy of the government toward the kulaks remained unchanged; their uprooting, as an integral part of mass collectivization, was to proceed unabated. Lenin's cardinal principle underlying the collective farm movement, namely, the principle of voluntarism, was restated in a manner which for the moment left no doubt of the course to be pursued by the government:

> Collective farms can be built up only on the *principle of voluntary entry*. Any attempt to apply force or administrative compulsion to the poor and middle-peasant masses with the view of having them join the collective farms, is a gross infraction of the [Communist] Party line and an abuse of power.[127]

This attitude toward the poor and middle peasants formulated by the Sixteenth Party Congress soon after the exodus of a considerable number of the peasants from the collectives, may be interpreted as an appeal aimed at convincing the peasants of the advantages of a collective system of farming rather than forcing them into accepting such a system. However, the decisions of the Sixth Congress of Soviets which met during March 10-17, 1931, showed a change in this attitude. Iakovlev, in his report to the Congress, resurrected the

[126] Resolution of the Sixteenth Party Congress, adopted July 13, 1930, (Sec. 3, par. 1).

[127] *Ibid.*, Section II, § 1. Italics in Resolution.

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motto of the War-Communism period: "All those who are not with us are against us!" In other words, a peasant can be either for or against the collective movement and, by the same token, for or against the Soviet State. On the subject of the poor and middle peasants who failed to join the movement, Iakovlev said:

> With whom are they, with the kulaks or with the collectives? . . . . Is it possible now to remain neutral—"I am, you know, neither with this one nor with that one"? It is not possible to be both with the kulak and with the collective. That is why, comrades, the problem of the individual poor and middle peasants is being interpreted in a new light.[128]

The policy thus formulated was sanctioned by the Congress.

The promotion, however, of the huge agricultural program for 1931, calling for the collectivization of 66 million hectares,[129] received its greatest driving force not from the open attack on the kulaks, or veiled threat against the individual poor and middle peasants, but from the series of economic measures promulgated by the Soviet Government in January 1931.[130] The government decided to supply the villages with 120 thousand tractors at a cost of 200 million rubles (art. 1); to add 1,040 new Machine Tractor Stations to the existing 360, so that during the spring the collectivized farms alone would be served by 1,105 Machine Tractor Stations (art. 2); to double the supply of agricultural implements as compared with those furnished in 1930, at a cost of 768 million rubles. The largest part of these implements were to be turned over to the collective farms and Machine Tractor Stations (art. 3). In order to raise the yield in the collectives, they were to be supplied with 24 million quintals of fertilizers

[128] Iakovlev's report to the Sixth Congress of Soviets, *Pravda*, March 17, 1931.

[129] Control figures of national economy for the year 1931, *Pravda*, January 11, 1931.

[130] "Mery Pomoshchi Gosudarstva Selskomu Khoziaistvu" (Measures of State Aid to Agriculture), Decision of the Council of People's Commissars and of the Central Committee of the Communist Party, January 21, 1931, *Izvestia*, January 22, 1931.

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(art. 5) and 21 million quintals of high-grade seed (art. 7). In addition to the enumerated provisions, the State took upon itself the task of subsidizing the collectives and the Machine Tractor Stations, with 1.5 billion rubles, the amount to be charged to the State budget and long-term credit funds (art. 9). Observing the title of this decree, one might be led to believe that this aid was intended for agriculture in general. But in reality, the collectives and the State farms were the only beneficiaries.

It was with a view to insuring the success of the present campaign as well as the future work of the collectives that the Soviet Government was concentrating its attention in three main directions: the improvement of the technical base of the collectives by the establishment of the above-mentioned Machine Tractor Stations, the organization of labor, and the distribution of income among the members of the collectives.

The main purpose of a Machine Tractor Station is to supply the collective with a highly developed technical base by means of the concentration of tractors and tractor-drawn agricultural machines into one center. In 1930 the average number of tractors per M.T.S. throughout the main producing regions of the U.S.S.R. was 41, with an average total capacity of 510 H.P.; the average area of the number of collective farms served by one M.T.S. was 10 thousand hectares, comprising an average number of 1,526 peasant farms.[181] The M.T.S. played a significant rôle in increasing the size of a collective. Thus, in the main grain-producing regions, in 1930, a collective served by a Machine Tractor Station consisted of 236 peasant farms, covering an area of 2,190 hectares, while a collective not served by one comprised only 130 peasant farms with an area of 987 hectares.[182]

The Machine Tractor Stations are of recent origin, but as the figures given below indicate, their development has been proceeding at a very rapid pace.

[181] Nikulikhin, I. and Koravaev, A., eds., *Tekhnicheskoe Vooruzhenie Kolkhozov* (*Technical Equipment of the Collectives*), (Selkolkhozgiz, Moscow, 1931), p. 194.

[182] *Ibid.*, p. 195.

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	Machine Tractor Stations	*Tractors* (in thousands)	*H.P. Capacity** (in thousands)
	I	II	III
1929	...	2.4	23.9
1930	159	31.1	372.5
1931	1400	63.3	848.0
1932	2446	74.8	1077.0
1933	2860	122.3	1782.0

* The figures in column I are taken from the following sources: for the years 1930-1931 from *Izvestia,* October 28, 1932; for 1932, from Iakovlev's address before the First All-Union Congress of Shock-Workers of the Collectives, *Pravda,* Feb. 19, 1933; for 1933, from Molotov's report on the National-Economic Plan for the year 1934, *Pravda,* Dec. 31, 1933. The figures in columns II and III are taken from Stalin's report to the XVII Communist Party Congress, *Pravda,* Jan. 28, 1934.

In connection with this table the following discrepancy in figures should be noted: whereas the number of tractors in the M.T.S. for 1930 and 1931 as quoted by Stalin amounted to 31,000 and 63,000 units, according to the *Izvestia* of Oct. 28, 1932, the number was 7,174 and 59,194 respectively.

With the help of these mechanical centers, " the self-activity of the peasants in building their collectives blends most completely with the organizational, technical aid and leadership of the proletarian State." [133] The model rules governing the relations between a Machine Tractor Station and a collective farm [134] throw some light not only upon the extent of the technical aid and leadership, but also on the manner in which they are perpetuated.

According to the model rules the machines supplied by the M.T.S. are utilized in plowing, sowing, reaping, threshing, sorting and cleaning the grain (par. 1). All the expenses in connection with the repairs of the M.T.S. equipment, purchases of spare parts and fuel oil, as well as the remuneration of the agronomic and technical personnel, are covered by the M.T.S (par. 2 and 3). Since the Machine Tractor Stations cannot supply a sufficient number of machines to do the entire work, the members of the collectives must utilize their own collectivized agricultural implements and work animals for the first two years of the agreement (par. 18). All the field work,

[133] " O Proizvodstvennoi Programme Traktotsentra Na 1931 " (Concerning the Production Program of the Tracto-Center for 1931), Decree issued by the Communist Party, December 29, 1930.

[134] *Izvestia,* December 1, 1930.

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ELECTRONIC REPRODUCTION PROHIBITED

including the operation of the tractors, must be done by the members of the collective (par. 6).

The selection of agricultural machines needed by the collectives rests entirely with the M.T.S. (par. 20); all the modern machines owned by the collective are turned over to the M.T.S. on the basis of a special agreement (par. 19) and in order to increase the productivity of the collectives, the latter, in accordance with the demands of the M.T.S., must carry out all necessary agricultural improvements (par. 16). Because the M.T.S. control the basic implements of production, they take a leading part in formulating the production program and in supervising the actual progress of the work; the size of the sown area must be determined jointly by the M.T.S. and the collectives (par. 17). The M.T.S. must not only furnish the collectives with expert technical and agricultural aid, but must also train the new army of skilled agricultural workers (par. 13). Without the permission of the M.T.S. the collective farm cannot sell any of its work animals (par. 18).

In addition to its rôle in the mechanization of agriculture, in the organization of production, in the training of a new labor force, and in the preservation of the livestock, the M.T.S. occupies a very significant position in the work of grain collectives—a work with which the State is vitally concerned. In this connection two provisions of the agreement are of importance: first, for the services and expenses enumerated in paragraphs 1, 2 and 3, the M.T.S. receives from each collective farm 25 per cent of the gross grain output (par. 23); if the M.T.S. performs only part of the work enumerated in paragraph 1, the Station is paid in grain at a fixed rate determined by the Tracto-Center (par. 23); where the M.T.S. takes part only in plowing and in sowing, it is paid either in kind or in money, in accordance with a special agreement between the collective farm and the M.T.S. (par. 23). Early in 1933 these provisions were subjected to a considerable change. According to the new Model Agreement all the services of the M.T.S. must be remunerated by the collectives in kind, not in money, and the fixed rate system of payment must be replaced by a fixed percentage of the gross crop of the collective.[185]

[185] *Pravda*, Feb. 6, 1933.

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Since the agreement between the M.T.S. and a collective farm has the full force of law, no deviation from the letter of the law is allowed under any circumstances. The share of the crop due to the M.T.S. for services rendered to a collective farm must be delivered by the latter in full and without any delay whatever.[136] Second, according to the agreement in force until February 1933, immediately upon the completion of the harvesting campaign the collectives had to turn over to the M.T.S. all the surplus grain at a price fixed by the State (par. 24). Although the amount of this surplus was determined yearly by an agreement between the collective and the M.T.S., this surplus could not be smaller than the general norm of grain collections for all the collectives of a given administrative region.[137] Although this provision was obviated at a later date,[138] under the new system in force the M.T.S. were expected to deliver to the State in 1933 more than 12 per cent of the total amount of grain collections.[139]

In the light of the enumerated activities, it is patent that a Machine Tractor Station is not only an agency created by the State to mechanize the work of a collective farm but also an instrument for the control, regulation and subordination of the private interests of the members to the general agricultural policies of the State as a whole.

One of the central problems of the collectivization policies of 1931 turned around the question of a proper method of distribution of income. The Communists held that during the transitional period of Soviet economics, distribution of income

[136] "Ob Oplate Kolkhozami Naturoi Rabot Proizvedennykh M.T.S. po Dogovoram s Kolkhozami" (Concerning the Payment in Kind by the Collective Farms to the M.T.S. for the Work Done by the Latter in Accordance with the Agreement between the M.T.S. and the Collective Farms.) Decision of the Council of the Commissars of the U.S.S.R. and Central Committee of the Communist Party, *Pravda,* July 26, 1933.

[137] "Poriadok Zdachi Khleba Kolkhozami Obsluzhivaemymi M.T.S. Traktotsentra" (Method of Grain Deliveries of the Collectives Served by Machine Tractor Stations), *Izvestia,* Aug. 27, 1930.

[138] See Decree on the obligatory delivery of grain to the State by the collective and individual farms of Jan. 19, 1933.

[139] "Velikaia Podeda Partii" (The Great Victory of the Communist Party), editorial in *Bolshevik* No. 23, p. 6 (Moscow, 1933).

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in a collective must be based upon the amount and quality of work performed by each member of the collective. The formula, "from each according to his ability, to each according to his needs", could not stand the test in the village for the simple reason that "everyone would first try to satisfy his needs, letting the others work according to their abilities." [140]

At the same time, when the artel rules were being formulated, the Communist Party did not consider it necessary to go beyond the general instructions concerning the distribution of income contained there, leaving the working out of the details to the discretion of the members of the collective farms. The latter, however, settled this all-important problem with little regard for the policy enunciated by the Communist Party. Whatever benefit a collective system of farming holds out for the peasant, in his opinion a collective must feed not only the members who participate fully in performing certain tasks, but also those who, because of age, poor health or lack of work, do very little work or none at all. To a large extent this was true of the private farm which was regarded as a provider for the entire household. In practice, therefore, the system evolved by the peasants amounted to the distribution of income according to the number of "mouths" to be fed. And on certain occasions, "the distribution", according to Iakovlev, "was based [in part] on those souls which were not yet born, but which in the opinion of the management of the collectives, should have been born".[141] The "quantity and quality" principle was a dead letter at this particular time as far as the peasants were concerned.

The Soviet Government viewed this situation with grave misgivings. It interpreted it as emphasizing the interests of the peasant as consumer over those of the peasant as producer. The tendency was in the direction of an ever greater norm of consumption and, in the opinion of the Communists, out of proportion to the peasants' actual needs. Under such conditions "the commercial surplus, which must be turned over to

[140] Kletov, F., "Sotsialnaia Evoliutsiia Krestianstva" (The Social Evolution of the Peasantry), *Novyi Mir* (*New World*), pp. 193-4, Book 4 (Moscow, 1932).

[141] Iakovlev, I. A., Report to the Sixth Congress of Soviets, *Pravda*, March 17, 1931.

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the State, is being artificially decreased, thus impairing the obligation of the collective farms to the State." [142] In other words, the successful completion of the all-important grain-collection program was endangered. Furthermore, equal payment for entirely different quantities and qualities of work done would lead to the shirking of certain kinds of work, and to a decline of labor discipline and labor productivity.

The governmental labor policy was summed up by Iakovlev as follows:

> It is not true that in a communist society people will be equally rewarded. In a communist society, which will be a highly productive society, everyone will be rewarded according to his needs because there will be enough of everything for everybody and work will become a habit. But so long as there is not enough for everybody, so long as a material incentive to the workers in the form of a wage is necessary for the existence of the national economy, the only socialist method of distribution of income is distribution in accordance with the quantity and quality of the work done.[143]

Hence, the following decision of the Sixth Congress of Soviets: "The distribution of the income of the collectives in accordance with the principle, 'whoever works more and better receives more', must become the rule for all the members of the collective farms." [144]

The members of a collective receive their income in cash and produce. In accordance with the instructions of the Commissariat of Agriculture and the Collective Center, dated June 12, 1931, the cash income, after deducting the charges for taxes, insurance and debts, is divided as follows: First, 15 per cent in the old collectives (organized before October 1930) and 10 per cent in the new (organized after that date) is set aside for the indivisible fund. This fund is utilized for the

[142] "O Khode Raspredeleniia Urozhaia v Kolkhozakh" (On the Progress of Crop Distribution in the Collectives), Decree issued by the Commissariat for Agriculture of the U.SS.R. and the Tracto-Center, Moscow, August 30, 1930, printed in *Izvestia*, September 2, 1930.

[143] Iakovlev, I. A., *loc. cit.*

[144] *Shestoi Sezd Sovetov* (*The Sixth Congress of Soviets*), stenographic report (Moscow, 1931), p. 18.

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ELECTRONIC REPRODUCTION PROHIBITED

purpose of buying machines and livestock and for other capital investments; 2 per cent of the cash income, instead of 5 per cent provided in an earlier decree, is distributed according to the share of collectivized property contributed by each member of the collective. For the maintenance of a bonus fund to reward work of exceptional merit, a cultural fund, and a special fund for the support of members of the collectives undergoing special training, 1½ per cent, 2 per cent and 1½ per cent, respectively, of the total cash income, are set aside.

The produce is distributed in the following manner: First, the share of the State is given priority over all claims.[145] Second, a seed fund is set aside for the fall and spring sowing campaigns, as well as a reserve or insurance seed fund amounting to from 10 to 15 per cent of the main fund. Third, a special food fund is created for the disabled, teachers, agricultural specialists and other non-manual workers of the collectives.

The remaining income of both cash and produce is distributed among the members in accordance with the number of "labor-days" entered in their work books. In this case a labor-day is an expended unit of labor of a definite quality and quantity and must not be identified with a working day. A successful application of this system depends, therefore, upon the establishment of the following norms: the quantity production per unit of time, the quality of work, and the proper application of these norms in the case of each individual member. All labor in a collective farm falls into seven categories.[146] The most skilled workers such as the chief tractor drivers, mechanics of sheaf-binders or chairmen of large collectives belong to the seventh category. Labor which requires very little or no skill at all, watchmen or messengers, for example, is classified under the first category. The five intermediary categories include the rest of the labor force in

[145] *Note:* The instructions contain no provisions dealing with the application of this rule in case of a crop shortage.

[146] "Ob Otsenke v Trudodniakh Razlichnykh Selsko-Khoziaistvennykh Rabot v Kolkhozakh" (Concerning the Evaluation in Workdays of the Various Types of Agricultural Work in the Collectives). Instruction of the Commissariat of Agriculture of Feb. 28, 1933.

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accordance with the skilfulness of the farmer and the complexity of the task to be carried out.

The remuneration of a member of a collective farm is determined by the category under which he is classified. The scale between the seven groups varies considerably. A member of a collective farm of the seventh group who carries out his daily norm as determined by the management is rated with three work days;[147] those of the sixth, fifth, fourth, third, second and first categories are rated with 1.75, 1.5, 1.25, 1.00, 0.75 and 0.50 labor-days respectively. In other words, the labor of the most skilled group is paid six times as much as that of the least skilled. In practice, however, this relationship need not hold true at all times. If a member of a collective farm plows one hectare in one working day, which is the norm, he is credited with one labor-day; should he only plow one-half of a hectare in one working day, he is credited with one-half of a labor-day, but if he plows one and one-half hectares in one working day he is credited with one and one-half labor-days. Under this system, therefore, collective members who work the same period of time but with different skill and effort, are credited with a different number of labor-days.

The quality of production as a most important criterion in determining the remuneration due to the labor force is stressed in all decrees dealing with the organization of labor in the collective farms. Yet in very many collectives the number of labor-days with which the members were credited was being determined regardless of the quality of their work.[148] To combat this practice, and at the same time to stimulate them to greater efforts, the Commissariat of Agriculture decreed that, where the task set for a group of members of a collective is completed unsatisfactorily in the opinion of the management, the group's total number of labor-days must be reduced by 10 per cent; where, on the other hand, the completion of the

[147] The instruction of the Commissariat of Agriculture originally called for two labor-days, but the Council of Labor and Defense increased the rating by another labor-day. In this connection see V. Revchina's "Nekotorye Voprosy Kolkhoznoi Sdelshchiny" (Problems Pertaining to the Piece-Rate System of Work in the Collectives), *Pravda*, Jan. 4, 1934.

[148] Instruction of Feb. 28, 1933 (see note 146), Par. 5.

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ELECTRONIC REPRODUCTION PROHIBITED

task results in a crop which is above the average, their effort is rewarded with a bonus amounting to an extra 20 per cent of the number of labor-days with which they are credited. The reverse holds true where the crop is below the average.[149]

The entire labor force of a collective farm is divided into special groups known as "brigades".[150] These are the basic production units of a collective farm. The number of members in a brigade depends upon the nature of the task set aside for it. The brigades organized to carry out important field work consist of 40 to 50 members; in regions where the chief occupation is cattle raising, an average-size brigade consists of 20 to 25 members. The number and kind of machines and live stock assigned to a brigade, and for which it is fully responsible, depend upon the kind of work in which it is engaged. The brigades fall into two main groups: the specialized ones organized to carry out one particular kind of work and generally restricted to the large collectives, and the group of mixed brigades which find wide application in the smaller collectives and which do various types of work. The latter group is divided into permanent, seasonal and temporary brigades. The permanent brigade with a constant labor force and an assigned section of land is at present the basic type. Its function is to perform the entire cycle of work during the course of the agricultural year. Each brigade is assigned a definite production program, and the quantity and quality of work to be performed within the allotted time, as well as the evaluation of each task in terms of labor-days, are specified. In animal husbandry each brigade takes care of a definite share of the herd and the evaluation is based on the amount of the output rather than on the number of head of cattle cared for.

Theoretically, the entire labor force of a collective farm should be distributed among the various brigades. In practice, however, this was not the case in a great many collec-

[149] *Ibid.*, Sect. c. and d.

[150] "Ob Ocherednykh Meropriatiakh Po Organizatsonno-Khoziaistvennomu Ukrepleniu Kolkhozov" (Concerning the Current Measures on the Organizational and Economic Improvement of the Collectives), Decree of Central Committee of Communist Party of Feb. 4, 1932, *Pravda*, Feb. 6, 1932.

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tives. In view of this fact, the Commissariat of Agriculture of the U.S.S.R instructed the management of the collectives to the effect that, "Within a ten day period the entire membership of the collectives, with the exception of those who are engaged in work outside of the farm, must be attached to the permanent brigades".[151] It is of paramount importance that the labor turnover of the latter be reduced to a minimum. Hence the decision "to enjoin, for a period of one year, the membership of the collective farms from leaving one brigade for another".[152]

The brigade is led by a foreman or brigadier. The entire management of the labor unit is concentrated in his hands. As a rule, all the orders affecting the entire work of the brigades must be issued by or through the brigadier. He distributes the work among the members of the brigade, and is personally responsible for its proper execution.[153] His remuneration depends entirely upon the results achieved by the brigades. The brigadier is appointed by the management of the collective farm for a period of not less than one year; he can be discharged prior to the expiration of this period only upon the approval of the Regional Collective Farm Center.

The recession of the wave of collectivization had ceased long before the enactment of the basic features of the measures outlined above. At the beginning of October 1930 there were over 5.5 million collectivized households, or 22.2 per cent of the total number of farms. This was the low point for the year. From then on the curve of the movement continued upward. During the next three months 1.5 million farms joined the movement and the same number were collectivized during February 1931. On the eve of the Sixth All Union Congress of Soviets 35.3 per cent of all the farms had joined

[151] "Ob Ukreplenii Brigad s Postoiannym Sostavom Kolkhoznikov" (On the Strengthening of the Brigades through a Permanent Labor Force), *Agricultural Bulletin of the Commissariat of Agriculture of the U.S.S.R.*, No. 14, par. 1 (1933).

[152] *Ibid.*

[153] Instruction issued by the Central Control Commission of the Workers' and Peasants' Inspection of the U.S.S.R., Nov. 14, 1933.

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3-31

the collective movement.[154] The bulletins issued by the Commissariat of Agriculture[155] show a rapid and steady growth, larger in the main grain-growing regions, smaller in all other sections of the country. On June 12, 1931, the resolution of the Plenary Session of the Communist Party declared that collectivization in the main grain-growing regions had been completed and that in all other grain regions it was certain to be carried out by the end of the year or in the spring of 1932; that the M.T.S. had taken part in the cultivation of more than 20 million hectares or over one-third of the area worked in the spring; that each collective member had worked two to three times as much land as an individual farmer, and finally, what was most important, that the quality of work in the collectives had improved (sec. 1, par. C).[156] On August 2, 1931, the Central Committee of the Communist Party announced that the extent of collectivization, as decided upon during the Sixteenth Party Congress, had been exceeded. The following table bears out fully the Party's contention of overfulfillment in the sense that all the main grain-growing regions had been completely collectivized.[157]

	Collective Farms as Percentage of All Farms	*Collective Area* as Percentage of the Total Area of All Farms*
North Caucasus	88	94
Ukraine (Left Bank)	69	80
Ukraine (Steppe)	85	94
Middle Volga (Left Bank)	90	95
Lower Volga (excluding Kalmyk Region)	82	92
Crimea	83	93

* Figures from August 2, 1931 statement of the Communist Party, *Pravda*, August 3, 1931.

[154] From Molotov's report to the Sixth All-Union Congress of Soviets, *Pravda*, March 12, 1931.

[155] *Pravda*, March 25 and 30, Apr. 5, 15, 25, 29 and May 6, 15, 26, 1931.

[156] "Predvaritelnye Itogi Seva i Zadachi Ubornoi Kompanii" (Preliminary Results of the Sowing and the Problems concerning the Harvesting Campaign), Resolution of the Central Committee of the Communist Party, August 12, 1931, *Pravda*, June 12, 1931.

[157] *N. B. Complete* collectivization of a region, according to the statement of the Communist Party of August 2, 1931, was understood to mean the collectivization of not less than 68.7 per cent of the total number of households and not less than 75.8 per cent of the total area of that region.

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This numerical growth of the collectives in the spring of 1931 reflected, to a certain extent, the strength of the movement. But the first real test was the progress of the spring sowing campaign, the first results of which revealed that the execution of this work was proceeding very slowly. The sowing of the early spring crops was to have been completed by May 1, but such important grain-growing regions as the North Caucasus carried out only 66.4 per cent of the program, Ukraine 47.6 per cent, and the Lower Volga 27.8 per cent.[158] The situation assumed a more serious aspect in view of the fact that the cost of socialized farm equipment measured on a per hectare basis was 13 rubles in 1930, while in the spring of 1931 the cost had risen to 17 rubles and 80 kopeks.[159] This led to the query: "What prevents the Ukraine, where the collectivized sector and the technical base have been increased many times in comparison with last year [1930], from at least catching up with last year's tempo of work?"[160] The same query applied with equal force to a number of sections of the country and particularly to the Central Black Soil Region which, judging by the progress of its sowing campaign, was among the most backward regions. This tardiness on the part of the collective farms was bound to affect the crop adversely, since the sowing had commenced two weeks later than the usual date, due to a late spring.

Judging by the statements appearing in the official press,[161] the slow tempo of sowing was due to the fact that the majority of the collectivized peasants had failed to adhere to the basic principles of organization of labor outlined by the Soviet Government. By July 1, 1931, only 36.6 per cent of all the collectives had received their work-books and only 22.2 per cent made regular labor entries.[162]

[158] *Pravda*, May 6, 1931.

[159] Gaister, A., "Predvaritelnye Itogi Seva i Zadachi Uborochnoi Kampanii" (Preliminary Results of the Sowing Campaign and the Problems of the Harvesting Campaign), *Na Agrarnom Fronte*, No. 4-5 (1931), p. 4.

[160] *Pravda*, May 30, 1931, from editorial, "Na Borbu Za Uspeshnoe Zaverschenie Vesenniago Seva" (In the Struggle for the Successful Completion of the Spring Sowing Campaign).

[161] *Pravda*, May 6, 1931.

[162] *Pravda*, July 7, 1931.

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The harvesting campaign, too, had had its drawbacks. It was expected that in the North Caucasus, Lower Volga, Ukraine and Crimea, the harvesting of the winter crops would be completed by July 15, but by this date the collectives harvested only 40 per cent, 60, 67 and 70 per cent of the crops, respectively.[163] The results of this campaign in the most important agricultural section of the Soviet Union, the Ukraine, may be gauged from the following statement: "Last year's [1931] grain harvesting campaign was carried out unsatisfactorily. In a number of southern regions from 30 to 40 per cent of the crop remained on the fields."[164] This was not a result of the drought, which was so severe in certain parts of Siberia, the Urals, and the Middle and Lower Volga regions, that it reduced there the expected crops by about 50 per cent. No Act of God was involved in the Ukraine. The difficulties experienced in the sowing, harvesting and grain collection campaign of 1931 were man-made. In the opinion of Kossior, the then Secretary of the Communist Party of the Ukraine, the difficulties were primarily due to the fact "that we underestimated the importance of agricultural problems. We paid a great deal of attention to industry and considerably weakened our leadership in the village."[165]

The effect of these factors is indicated by the gross grain output in 1931 of 780 million quintals.[166] Since the program for 1931 called for a gross grain output of 970 million,[167] the actual gross output was 20 per cent below the program.

The unsatisfactory crop results were a reflection of the lower yield per hectare. The insistence of the Soviet Government that, with the organization of Machine Tractor Stations, the

[163] *Pravda,* July 26, 1931, from editorial, "Pervye Uroki Khlebo-Zagotovki" (First Lessons in Grain Collection).

[164] Kossior, Secretary of the Communist Party of the Ukraine, Report Submitted to the Third Conference of the All-Ukrainian Communist Party, *Krestianskaia Gazeta* (*Peasant Gazette*), July 14, 1932.

[165] *Ibid.*

[166] Kulikov, P., "Itogi i Perspektivy Proizvodstva Zernovykh Kultur" (Results and Possibilities of Grain Production), *Planovoe Khoziaistvo* (*Planned Economy*), No. 5 (1932), p. 46.

[167] Control Figures, National Economic Plan for 1931 (Sec. 3, Par. 3), *Pravda,* Jan. 11, 1931.

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increased use of fertilizers and selected seed, and the greater utilization of agronomic knowledge, "each collective, in comparison with the individual farm, must increase its yield per hectare in 1931 by not less than 60 per cent,"[168] was of no avail, as shown by the following figures:

PERCENTAGE COMPARISON OF YIELD PER HECTARE OF MAIN GRAIN CULTURES OF COLLECTIVES AND INDIVIDUAL FARMS BY REGIONS—FOR 1931 *

	Yield per Hectare of Collectives as Percentages of Yield per Hectare of Individual Farms
Ukraine	103.3
Northern Region	106.3
Leningrad Region	102.2
Western Region	102.9
Moscow Region	104.8
Ural Region	102.4
Tartar Republic	104.8
Middle Volga	105.7
Lower Volga	105.7
Northern Caucasus	104.2
Crimea	102.4
Western Siberia	103.3

* Gechechkori, M., "Ob Urozhainosti 1931 goda i Borbe Za Ego Povyshenie" (Concerning the Yield of 1931 and the Struggle for Its Improvement), *Pravda*, Jan. 6, 1932.

The general figures given below indicate that in 1931 the per hectare yield in the collectives was 9.5 per cent less than in the preceding year. The same rate of decrease held true in the case of the individual farms. Furthermore, the yield per hectare in the collectives was only 5 per cent larger than the per hectare yield obtained by the individual farmers during the same year.

Yield in Quintals per Hectare *

	1930	*1931*
Collective Farms	8.5	7.7
Individual Farms	8.0	7.3

* The figures for the collectives are taken from the table on page 45 in Kulikov's article, see footnote 166. For the individual farms, the figures are taken from the *Economic Handbook of the Soviet Union*, p. 66. The 1931 yield figure for the individual farms is based on the statement of M. Gechechkori to the effect that the average yield of the collectives exceeded the yield of the individual farms by 4.3 per cent. *Pravda*, Jan. 6, 1932.

[168] Beloutsky, F., *op. cit.*, p. 103.

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Despite the lower yield, the total grain production of the socialized sector, as compared with the individualistic, clearly indicates the great part played by the former, as shown by the following figures.

GRAIN PRODUCTION *

(in millions of quintals)

Sectors	1929	1930	1931	In Percentage of Total		
				1929	1930	1931
State Farms.....	13.2	32.5	57.1	1.8	3.9	7.3
Collectives.....	27.0	232.1	436.8	3.8	27.8	56.0
Individual Farms.....	677.0	570.6	286.0	94.4	68.3	36.7
Total	717.2	835.2	779.9	100	100	100

* Kulikov, P., *op. cit.*, p. 41.

While in 1930 the collective farms were responsible for 27.8 per cent and the individual sector for 68.3 per cent of the total grain produced, in 1931 the respective positions of these two sectors were practically reversed. The fact that the socialized sector of the village, as represented by the collective farms alone, outranked the individual farms as producers of grain, was hailed by the Communists as a great achievement. They realized, however, that this achievement was due to the numerical growth of the collective farms rather than to the average yield per collectivized hectare. The very slight increase of yield on a collective farm over that of an individual farm was particularly striking, in view of the fact that the general technical reëquipment and State aid given to the collectives had reached a high mark. The Soviet Government was fully aware that

> the main agricultural problem during the Second Five-Year-Plan must be that of yield [per hectare]. In this respect we practically did not shift from our position in the course of the last few years. There is an increase in yield [compared with the yield on the individual peasant farm] but a very insignificant one.

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> Now that we witness a rapid growth of utilization in agriculture of machines, tractors, combines . . . and also chemical fertilizers, we must set the problem of increase in yield as the central one for the workers in the field of agriculture.[169]

This statement may well serve as an indication not only of the seriousness of the situation but also of the government's intention to press forward to a solution.

Regardless of the low crop, the immediate concern of the government was the fulfillment of the grain-collection plan for 1931. This policy was dictated by national-economic considerations. To indicate the relationship between a successful grain-collection campaign and the general policies of the State, the following passage will suffice:

> *The struggle for grain, for the fulfillment and overfulfillment of the grain-collection plan, remains with us a component, inseparable part of our entire work aimed toward the completion of the foundation of the socialist economy. The grain-collection plan is the most important component part of the general national economy . . . which to a considerable degree determines our resources for the further development of socialist reconstruction.*[170]

That the apprehensions of the leaders had a basis in fact is revealed by the slow progress of the grain collections in all important grain-growing areas. The Ukraine, which contributes one-third of the entire grain procurements program of the Soviet Union, indulged in dilatory tactics in parting with its grain. In many cases the collectivized peasants, instead of performing their obligations to the State in the order prescribed by the constitution of the artels and by the M.T.S. agreements, insisted on reversing the order, i. e., on first satisfying their own needs and then those of the State. "I shall not deliver a single pood [of grain]", declared the chairman of a collective, "until I have provided for my household, until I have created funds for those [members of the family] in the army, as well as insurance, seed and fodder funds. For

[169] From Molotov's report on the Second Five-Year-Plan delivered before the Seventeenth Conference of the Communist Party, *Pravda*, Feb. 6, 1932.

[170] *Pravda*, Nov. 2, 1931, italics in editorial.

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all this I shall use the grain already in the granary and I shall deliver to the State only what remains from the latest threshing." [171] In official circles such an attitude toward grain collections was branded as a kulak practice. But even this grave charge and the threat which it implied failed at the moment to prevent the spread of such tendencies.

From the point of view of the State, the chief cause of the difficulty was in the mistaken attitude of the local Party organizations toward the collectives. The local organizers of the collectives seem to have believed that the grain-collection campaign would be carried out without any difficulty because the collective farms had become the predominant sector in the village. This belief, based on the unwarranted idealization of the collectives, caused the local Party leaders to forget that the collectives, being a newly established semi-socialistic form of agricultural organization, could not immediately change the old make-up of the peasant. The failure to appreciate this led to poor Party organization work in the villages and to the concomitant difficulties.

Of a radically different, and of a less involved, nature were the peasants' motives in retarding the grain collections. At the moment their actions were prompted by the fear, induced by unsatisfactory crops, that if they should part with too much grain, there might not be enough on hand to sustain them until the next crop. But the real and foremost cause is an old one, harking back to the era before the New Economic Policy and even before the October days. And it was restated now without losing any of its cogency and force: "First give us manufactured goods and then we will deliver grain", declared a peasant in one collective: "First shoe and clothe us, then ask us to work", declared a peasant in another collective.[172] These peasants touched upon the real crux of the problem. The same consideration that influenced their actions through-

[171] Novikov, I., "Khlebazagotovki, Borba s Kulakami i Melkosobstvennicheskimi Instinktami v Kolkhozakh Tsentralnoi Chernozemnoi Oblasti" (Grain Collections, the Struggle with the Kulaks and Petty-Proprietory Instincts in the Collectives of the Central Black Soil Region), *Sovetskoe Stroitelstvo* (*Soviet Construction*), Jan. 1932, p. 104.

[172] *Ibid.*

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out the decade prior to mass collectivization, particularly during the period of military communism, reasserted itself now in the collectivized village. The peasants were asked once more to part with their grain in return for a quantity of goods which could hardly satisfy their basic needs. It is not strange, therefore, to see the peasant soldiering on the job and attempting to supply the State with as little grain as possible.

The government was not daunted by these tactics, and with characteristic energy proceeded to collect grain under the slogan that the first duty of a collective farm is to deliver to the State the grain collection quotas in full.[173] The Council of People's Commissars of the U.S.S.R. ordered that measures be taken immediately for the purpose of "rescinding all the orders issued by the Commissariats of Agriculture and Supplies in so far as they related to the creation of grain funds . . . at the expense of the grain collection quotas determined by the State."[174] These measures, together with the previous pronouncements that any delay in grain deliveries would be viewed as a counter-revolutionary act, were rewarded with a considerable degree of success. Thus, in spite of the early delays, Molotov reported, as early as November 3, 1931, that "the progress of grain collection . . . bears witness to the fact that we are successfully carrying out the grain collection program", and, what is more significant, "we have collected more than during the corresponding period of last year."[175] The veracity of this statement cannot be questioned. Even though the grain collections declined somewhat during the months of November, December and January, the net result of the campaign, as indicated in the following table, was that, whereas the gross grain output in 1931 was 55.7 million quintals less than in 1930, the total grain collection for the same year was larger by 4 million quintals than in 1930.

[173] *Pravda*, Oct. 19, 1931, Instructions issued by the Management of the Tracto-Center to the Directors of the Machine Tractor Stations.

[174] *Pravda*, Oct. 20, 1931, Decree of the Council of People's Commissars of the U.S.S.R. (Art. 2), of October 19, 1931.

[175] *Pravda*, Nov. 3, 1931, from Molotov's address on the Fight Against the Drought, delivered at the All-Union Conference.

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GRAIN OUTPUT AND COLLECTIONS *

(in million quintals)

	1930	1931
Gross Grain Output	835.6	779.9
Gross Grain Collections	225	229.3

* Kulikov, P., *op. cit.*, p. 41.

An explanation of how the government managed to achieve this result in view of the decline in the gross output and in the average yield per hectare is suggested in tables A and B.

TABLE A *

	Total Produced	State Collections	Percentage Collections to Total Produced	Yield per Hectare	State Collection per Hectare	Percentage Change from Previous Year in	
						Yield per Hectare	State Collection per Hectare
	1	2	3	4	5	6	7
1930							
Collectives..	251.1	67.0	26.7	8.5	2.4	..	..
Individuals..	551.6	119.3	21.6	8.0	1.7	..	..
1931							
Collectives..	436.6	139.2	32.9	7.7	2.5	—9.5	+4.2
Individuals..	285.4	53.2	18.7	7.4	1.3	—7.5	—23.5

* The figures in columns 1 and 2 are from a card no. 108 entitled, "Puti Razresheniia Zernovoi Problemy—Materialy Komiteta Zagotovleniia pri STO" (Means of Solving the Grain Problem—Materials of the Committee for Supplies, of the Council of Labor and Defense) published by the Council of Labor and Defense in Moscow, 1932. The figures in column 4 are taken from the table at the bottom of page 223 of this paper. The remainder of this table is derived from these two sets of figures.

TABLE B

(based on Table A)

	1930	1931
Yield per hectare of collectives as percentage of yield per hectare of individual farms	106.25	104.0
State collections per hectare of collective farms as percentage of State collections per hectare of individual farms	141.1	192.3

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These tables show that while in 1930 the yield per hectare in a collective exceeded that of a hectare cultivated by an individual farmer by 6.2 per cent, the grain collected from the former was larger than the amount collected from the latter by 41.1 per cent. In 1931 the respective figures were 4 per cent and 92.3 per cent. Furthermore, a 7.5 per cent decrease in yield per hectare on an individual farm in 1931, as compared with 1930, was accompanied by a 23.5 per cent decrease in grain collections, while a 9.5 per cent decrease in yield per collectivized hectare for the same period was followed by a 4.2 per cent increase in grain collections. Thus, by comparison with the collectives, the real beneficiaries were the individual farmers and the collectives shouldered the burden of supplying the State with an amount of grain which, as future developments proved, they could ill afford to part with.

That the presumably successful grain collections defeated their own ends, soon became evident. The State was compelled to return to the collectives part of the grain. On February 17, 1932, almost six months before the harvesting of the new crop, the Council of People's Commissars of the U.S.S.R. and the Central Committee of the Communist Party directed that the collective farms in the eastern part of the country which had suffered from the drought, be loaned over 6 million quintals of grain for the establishment of both seed and food funds. Toward the end of the winter the shortage of food and fodder became apparent even in the main grain-producing regions which were not affected by the drought. As to the conditions in the Ukraine, Molotov stated that "as a result of errors committed in connection with the grain collections, there was created a very difficult food problem."[176] The nature of these errors was due to the fact that "frequently regions and collectives which had fulfilled their grain collection quotas were given additional quotas to fulfill and occasionally this was repeated three and four times."[177] It is largely for this

[176] From an address delivered by Molotov at the Third All-Ukrainian Conference of the Communist Party, *Peasant Gazette*, July 20, 1932.

[177] *Ibid.*

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reason that in many sections of the Ukraine the fulfillment of the grain procurement plans meant parting with over 80 per cent, and in a few cases, with the entire grain crop of the collective farms.[178] Under these circumstances the morale of the collectivized peasant could not but be undermined, his initiative deadened and the productivity of his labor lessened. Yet the program for the year 1932 called for a great deal of intensive labor in order to extend the sown area of the collectives from 80 million hectares in 1931 to 108 million hectares, of which 76 were to be sown with spring crops.[179]

The way in which this new program was carried out indicated that the collectivized peasants did not go about their tasks in the manner desired by the government. The main difficulty was in the slow tempo of work. By May 20 the collectives had carried out 53.5 per cent of their spring sowing program.[180] This was only 3 per cent below the corresponding period of 1931, but in view of the better equipment and more suitable climatic conditions than those which prevailed in the spring of 1931, the results were not satisfactory. Examining the progress of the work by regions, it was revealed that the three grain centers of the Soviet Union, the Ukraine, North Caucasus and Volga regions, were particularly behind in their work throughout the entire spring sowing period. This situation was not corrected, and instead of sowing the 76 million hectares which the program called for, the collectives completed their work with a 10 million hectare shortage.[181]

Before the end of the spring field work the government realized that should the peasants show the same lack of diligence in the harvesting of the crop as in the sowing, the entire agricultural program would be jeopardized. To remedy this situation the government enacted a series of economic measures which are known as the May Decrees.

[178] Lvov, A., "Protiv Opportunisticheskoi Praktiki v Khlebozagotovitelnoi Raboty" (Against Opportunistic Methods in Grain Collection Work), *Ekonomicheskaia Zhizn* (*Economic Life*), August 18, 1932.

[179] "Kontrolnye Tsifry na 1932" (Control Figures for 1932), *Pravda*, December 26, 1931.

[180] *Ekonomicheskaia Zhizn*, May 26, 1932.

[181] "Osnovnye Voprosy Uborki Urozhaia" (Basic Problems of Crop Harvesting) editorial, *Bolshevik*, No. 11-12 (1932), p. 2.

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The basic decree, promulgated on May 6, 1932,[182] deals with two main points: first, it states that the grain collections from the collectives and the individual farms must be decreased by 43.2 million quintals, in comparison with the 1931 program, making the total grain collections from the collectivized and individual sectors equal 180 million quintals (Par. 2, subdivision *a*). Second, it declares that after the grain collections and seed funds of 1932 have been completed, i. e., after January 15, 1933, the members of the collectives as well as the individual peasants will be given full opportunity to market their surplus grain without interference, either at the bazaars or the markets, or through the stores of the collectives, as they may desire (Par. 2, sub. *d*). While this provision implies a change in the price system, the decree contains no definite statement to that effect. The problem of price was clarified by the decree of May 20. In addition to the provisions decreasing the sales tax on products marketed by the individual farmers and increasing the total exemption of the collectives and their members (Par. 1), this decree contains a provision which states that the "selling operations are . . . to be effected at prices determined in the [open] market" (Par. 9).[183]

The livestock problem of the collectives was causing the State a great deal of uneasiness and was admittedly a weak part of the new system of agriculture. In 1931 the overzealous local authorities attempted for the second time to collectivize all the livestock of the members of the collectives, i. e., even that part the individual ownership of which was guaranteed by the artel constitution. To counteract these attempts the peasants resorted to the well-tried method of wholesale slaughter of cattle. The Communist Party was obliged to declare that "the practice of the forcible seizure of cows and small stock from the members of the collectives has noth-

[182] "O Plane Khlebozagovok i Urozhaia i Razvertyvanii Kolkhoznoi Torgovli Khlebom" (Concerning the Plan for Grain Collections, Harvest and Marketing of Grain of the Collectives), *Pravda*, May 7, 1932.

[183] "O Poriadke Proizvodstva Torgovli Kolkhozov, Kolkhoznikov i Trudiashchikhsia Krestian i Umenshenii Naloga na Torgovliu s Khoziaistvennymi Produktami" (Concerning the Procedure of Marketing by the Collectives, Their Members and Individual Peasants and the Decrease of Taxation on the Sales of Agricultural Products), *Pravda*, May 21, 1932.

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ing in common with the party program." [184] But the first real move in the direction of solving the livestock problem was the decree of May 10, 1932 [185] which provided for a 50 per cent reduction in the State livestock procurements during the next eight months, reducing the gross total from 1,414 thousand tons to 716 thousand tons. The decree also stipulated that after the completion of this drastically revised program, the peasant would have the right to dispose of his surplus in the same manner as he disposed of his grain surplus.

The new price element which characterizes these decrees is of some significance. When the peasant's right to sell his surplus was established by the October Session of the Communist Party in 1931, it was with the understanding that these sales were to be permitted only "on a basis of Soviet price policies", i. e., State-controlled and fixed. Any other price policy of tempting the peasants into selling their surplus was bound "to turn upside down the very basic principle underlying the decisions of the October Session of the Communist Party." [186] The right to sell grain now at an open market price is a complete reversal of what had been a cardinal principle underlying the Soviet grain price system since about 1929.

These three main decrees were designed to stimulate the peasant into action. The decrease of grain and livestock procurements would insure the fulfillment of the State collection program; the right to sell the remaining surplus at the price prevalent on the open market would work to the advantage of the peasant and of the collective as a whole. Such action at a time when the State was in great need of agricultural products in order to insure the completion of the country's indus-

[184] Declaration by the Central Committee of the Communist Party issued March 26, 1932, "O Prinuditelnom Obobshchestvlenii Skota" (Concerning the Forcible Socialization of Livestock), *Pravda*, Mar. 27, 1932.

[185] "O Plane Skotozagotovok i o Miasnoi Torgovle Kolkhozov, Kolkhoznikov i Edinolichnykh Trudiashchikhsia Krestian" (On the Plan of Livestock Procurements and Meat Trade by the Collective Farms, Their Members and Individual Peasants), *Pravda*, May 11, 1932.

[186] Zonin, I., "O Sovkhozno-Kolkhoznoi Torgovle i Zadachakh Sovetov" (Concerning the Kolkhoz and State-Farm Trade and Problem of the Soviets), *Sovetskoe Stroitelstvo*, April 1932, p. 95.

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trialization program, was a concession which the State was forced to grant to the peasants. Nevertheless, a close examination of the enacted measures reveals that the concession was less far-reaching than is indicated at first glance, and that the changes were effected on Communist rather than on peasant terms. This view is based on the following consideration: despite the introduction of numerous changes, the *system* of collections remained intact. The outstanding feature of the New Economic Policy, it may be recalled, was the substitution of a food tax for the system of grain and livestock procurements. During that period *each* peasant knew exactly how much he was to deliver to the State, and he could dispose of the rest as he saw fit. Now, however, with the system of collections unchanged, the collectives could trade their grain on the open market only after the fulfillment of the entire State grain collection plan. Even though a certain collective or any number of collectives had fulfilled their obligations, they could not sell their surplus unless *all* the collectives had fulfilled their quotas. In order to enjoy the privilege granted by the decrees they were also obliged first to make good the collections of the defaulters. The joint responsibility created a situation whereby a collective farm could not be quite certain of the amount of its surplus even though the crop had been harvested and gathered. The possibility, therefore, of an upward revision of the grain collections program of May 5, 1932 was not excluded. Whether under the circumstances the collectivized peasant would be moved to great exertions, to translate into concrete form the main aim of the enactments, remained to be seen.

No such zealous efforts were revealed in the sowing, the harvesting and particularly the grain collections. Nor did the new decree concerning the distribution of income[187] improve matters much, notwithstanding the fact that it was especially favorable to those who did good work. It appeared from the very outset that the harvesting moved on at an extremely slow pace. By July 15 the Ukraine had harvested only 1,237,000

[187] "O Raspredelenii Dokhodov v Kolkhozakh na 1932" (Distribution of Income in the Collective Farms for the Year 1932), *Pravda*, July 6, 1932.

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hectares, while at a corresponding date of the previous year in analogous climatic conditions, 5,116,000 hectares were harvested.[188] This divergence was diminished somewhat as the work proceeded. But on the whole it persisted in the most important grain-growing regions as well as in the other agricultural sections of the country.[189] At no time was the pace of 1931 regained by either the socialized or the private sector. By August 20 the difference stood at 9 million hectares and early in September the difference was still 7.5 million hectares.[190] This may explain why the harvesting season extended until about the middle of October.

The governmental agencies directed their efforts to the establishment and maintenance of a definite relationship between certain types of work which take place during the harvesting season. Setting up grain in stacks, for instance, must follow close upon mowing. Otherwise the loss of grain sustained in the fields during the previous year would be repeated. It was decidedly to the advantage of all the peasants to act as suggested, but the actions of the collectivized peasants as revealed by the following figures show a complete disregard of that sound advice:

REGIONS IN THE UKRAINE*

	Dnepropetrovsk	*Odessa*	*Kharkov*
Mowing ..... (as of Aug. 1, 1932)	84.5% (of program)	75.2	52.4
Stacking of grain ..... (as of Aug. 1, 1932)	6.4% " "	6.1	6.3

*"Uborka na Ukraine" (Harvesting in the Ukraine), *Pravda*, August 7, 1932 (figures cited in this editorial).

In general, the harvesting and threshing processes were carried out by the collectivized peasantry of the Ukraine in such a manner that from 34 to 36 million quintals of grain were wasted in the fields. This amount alone could have cov-

[188] *Pravda*, July 21, 1932.

[189] See bulletins issued by the Commissariat of Agriculture of U.S.S.R., No. 3, *Pravda*, July 26, 1932; No. 4, *Pravda*, July 30, 1932; No. 9, *Pravda*, August 26, 1932.

[190] Bulletin No. 12, *Pravda*, September 10, 1932.

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ered two-thirds of the grain the Ukraine was to have delivered to the State.[191]

The yield summarized, in a sense, the entire work on the collective fields. In the State grain farms the yield of spring wheat per hectare, their basic grain culture, was 6.7 quintals.[192] Separate yield figures for the collective and individual farms for 1932 have not been published, but the average grain yield per hectare for the grain crops throughout the Soviet Union (including the State farms), was 7 quintals.[193] This figure may be accepted as representative of the approximate yield per collectivized hectare for the following reasons: first, the collective farms represented 75 per cent of the total cultivated area of the Soviet Union; second, the collective farms of the main producing regions comprised over 90 per cent of the area of those regions, and finally, the average yield per hectare of a collective farm during 1929-31 has never exceeded the yield per hectare of an individual farm by more than 6.5 per cent. It would seem, then, that even though the collective farms were technically better equipped than in 1931, their yield in 1932 was lower than in 1931, and considerably below the 1932 program figure, namely, 8.5 quintals per hectare.

Nowhere was the peasant's attitude toward the Soviet State more clearly expressed than in the manner in which he was supplying it with agricultural products. And it was in consideration of this fact that a leading member of the Communist Party commented as follows: "Our achievements and shortcomings in the village . . . are expressed particularly clearly in the matter of grain procurements . . . the latter always constituting the problem around which a bitter class struggle was fought."[194] Before the period of mass collectivization

[191] Sulkovskii, F., "Sovetskaia Ukraina v Borbe za Vysokii Urozhai" (The Soviet Ukraine in the Struggle for a Higher Yield), *Pravda*, Aug. 22, 1933.

[192] Teriaeva, A. P. (ed.), *Sovkhozy k Piatnadtsatoi Godovshchine Oktiabria* (*State Farms on the Fifteenth Anniversary of October*) (Selkolkhozgiz, Moscow, 1932), p. 105.

[193] Kuibishev, V. V., Report on the Program of the first Year of the Second Five-Year-Plan, *Pravda*, Jan. 28, 1933.

[194] Kaganovich, L. M., "Tseli i Zadachi Politicheskikh Otdelov M.T.S. i Sovkhozov" (Aims and Problems of the Political Departments of the M.T.S. and State Farms), *Sotsialisticheskaia Rekonstruktsii Selskogo Khoziaistva* (*Socialist Reconstruction of Agriculture*), No. 2 (1933), p. 8.

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the difficulties encountered in collecting grain were attributed to the practices of the essentially individualistic village, dominated by a large group of well-to-do-peasants. But even after the elimination of this group, when "from the point of view of class structure in the village we are now stronger than ever . . . the grain collection campaign of 1932-33 proceeded with greater difficulties than in 1931-32".[195]

It was expected that with the decrease of the amount of grain collections and with the further growth of the collectivized area, the entire grain collection program would be carried out before January 15, 1933, without any difficulty. This expectation did not materialize. The decrease of the first and the increase of the second element turned out to be entirely extraneous to the fortunes of the third. The monthly grain collection quotas are revealing. For the first 20 days of July the collective farms fulfilled only 10.2 per cent and during the first 25 days of the month all the socialized and individual sectors delivered to the State 23.6 per cent of their quotas.[196] The figures for the months following bespeak the same tendencies. The results of the October grain collections are usually indicative of the entire campaign. Hence, the collection during the first 25 days of October, which was 25.8 per cent of the amount anticipated, throws light on the state of the campaign. These poor results were largely attributed to the unwillingness of the main grain-growing sections to part with their grain.[197] During December the collections in the Ukraine went from bad to worse and, as to the general fulfillment of the yearly plan, this granary of the Soviet Union appears among the worst offenders.[198]

To the old factors which were largely responsible for the struggle between the peasants and the grain collection authorities, must be added a new one, born of the May Decrees, namely, the grain speculation, or the peasants' practice of selling grain before January 15, in regions which were yet to fulfill their grain collection quotas. Grain appeared on the market soon after the harvesting campaign was under way.

[195] *Ibid.*, p. 9.

[196] *Pravda*, July 27, 1932.

[197] *Pravda*, October 29, 1932.

[198] *Pravda*, January 7, 1933.

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The temptation to violate the law was too great, in view of the fact that in certain markets a *pood* of grain sold for between 60 and 80 rubles.[199] This price, which prevailed in one of the markets in the North Caucasus region, explains in part why this region carried out only 9 per cent of the monthly quota of deliveries to the State during the first half of August. This case was not peculiar to this particular region; with but slight reservations it may be regarded as indicative of a wide-spread practice. Stalin's report, "On the Work in the Village," [200] bears witness to this observation.

By the end of 1932 it became obvious that the problems faced by the Soviet Government consisted in how to make all the peasants work the collectivized hectares with as much zeal as they did their individual holdings; how to convince them that through proper tillage of the land they would be advancing their own welfare; how to impress upon them the fact that the concentration of all their efforts upon the improvement of the remains of their individual economy at the expense of the collective economy as a whole was essentially an attempt to undermine the progress of the collective farms; and finally, how to bring them to the realization that one of their most important duties toward the State was the voluntary and timely fulfillment of the grain deliveries.

But were the peasants to be blamed for disregarding the fundamental State policies? Stalin's answer is an unequivocal, "NO!"

> Not in the peasants must we seek for the causes of the grain collection difficulties, but in our own ranks. Because *we* are at the helm of power, *we* have at our disposal the national resources, *we* are called upon to direct the work of the collectives and *we* have to shoulder the entire responsibility for the work in the village.[201]

More specifically, however, the blame is to be placed at the door of "our local comrades, who failed to comprehend the new situation in the village created by the announcement con-

[199] "Pochemu ne Vupolniaiutsia Plany Khlebozagotovok" (Why the Grain Collection Plans Are Not Carried Out), *Pravda*, August 21, 1932.

[200] January 17, 1933.

[201] *Ibid.*, italics Stalin's.

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cerning the grain trade of the collective farms." [202] They should have realized that the peasant's reaction to the enacted measure would run in the direction of selling on the open market as much grain as possible. That being the case, "it was the Communists' duty to intensify and speed up the grain collections by all available means . . . at the very beginning of harvesting, in July, 1932." [203] This they failed to do.

Many local leaders committed yet another grave error which, in Stalin's opinion, was at the root of all the troubles in the collectivized village. This mistake is due to the fact that they "overestimated the collectives as a new form of agricultural organization . . . turned them into an ikon. They decided that with the organization of the collectives everything else had been accomplished." [204] Stalin viewed this as a fundamental misconception since "the collectives represent only a *form* of organization—true enough, socialistic, but none the less, only a form." [205] But a form of organization is not a deciding factor because in the long run "everything depends upon the *substance* which is poured into this form." [206] Amplifying, Stalin pointed out that the following may be stated with certainty. "From the point of view of Leninism, the collectives as well as the Soviets, taken as a form of organization, represent . . . only a weapon . . . the main point is who possesses this weapon and against whom it is directed." [207] Should anti-Soviet forces find their way into a collective, which is primarily "a perfected form of mass organization", [208] the effect of their work would be more disastrous for the State than similar activities in a village composed of numerous individual farms. In other words, Stalin maintained that at the present time a collective is a weapon which may still be utilized against the Revolution; the Communist in the village who failed to understand this must shoulder the blame for the difficulties encountered there.

The immediate problem, then, was how to lead the collec-

[202] *Ibid.*
[203] *Ibid.*
[204] *Ibid.*
[205] *Ibid.*, italics Stalin's.
[206] *Ibid.*, italics Stalin's.
[207] *Ibid.*
[208] *Ibid.*

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tives out of the crisis in the shortest possible time. And the remedy applied was a combination of administrative and economic measures.

The administrative measure aimed at a thorough Bolshevization of the collective farms. The Machine Tractor Stations were entrusted with the practical application of this policy.[209] For this purpose special political departments were established at the M.T.S. It is the duty of these departments to enlighten the collectives along strictly Party lines; to provide the "Party eye", and to extend the Party's control to all the spheres of work and life in the collectives. Their "political face" was to be revealed, for there could be no place in the Soviet village for a "neutral" collective. More specifically, the most important duty of a political department is to "guarantee the unconditional and timely fulfillment by the *collectives and their members* of their obligations to the State".[210] All this was to be accomplished not by the mere issuance of orders, drawing up of resolutions and other forms of management on paper which had flooded the collectives in the past three years, but by keeping directly and constantly in touch and working shoulder-to-shoulder with the collectivized peasantry.

Although the main aim of the outlined decree is not an expression of an entirely new policy, it marks, nevertheless, a turning-point in the attitude of the Communists toward the collectivized peasant. The idealization of the collectivized peasant came to an end; the joining of a collective farm did not necessarily involve any basic change in the peasant's nature and attitude. From the Communist point of view he has turned out to be a very ungrateful person who refuses to comprehend the fact that since the rapid industrialization of the country requires large supplies of agricultural products, his business is to supply them unconditionally. Instead, as late as the beginning of 1933 he still persisted in what the Communists considered a counter-revolutionary attitude: "First,

[209] "Tseli i Zadachi Politicheskikh Otdelov M.T.S. i Sovkhozov" (Aims and Problems of the Political Departments of the Machine Tractor Stations and State Farms), Resolution carried out by the Communist Party on January 11, 1933, *Pravda*, Jan. 13, 1933.

[210] *Ibid.*, Section II. Italics in the resolution.

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the collective, then the State." This was a direct challenge to the supremacy of the Communist leadership in the village. And having taken up the challenge, the Communists decided to assert their leadership in the collectives in the shortest possible time.

The Communists realized, however, that the new powers given to the M.T.S. were not sufficient guarantee that the members of the collectives would follow unreservedly the Communist leadership in the village. In order that they should discharge their obligations to the State voluntarily the administrative measures had to be buttressed with economic measures which would directly benefit the members of the collectives and, as Stalin expressed it at a later date, "make all the collectivized peasants well-to-do." [211] The promulgation of the Decree of January 19, 1933 [212] was considered by the Soviet Government as the economic measure destined to raise the economic status of the collectivized peasant. The outstanding feature of this decree was the provision for the substitution of a fixed grain tax levied upon each cultivated hectare of the land, for the existing contract system of grain collection (Par. 1). The peasant was paid for the grain delivered in this manner at a price fixed by the State. The total of the peasants' obligations was determined by the area already sown with winter grain crops and the area planned by the yearly program for the spring grain crops (Par. 2).

The figures given below show the amount of the grain tax in the fourteen most productive grain-growing regions: the tax is not a uniform one, but varies with the section of the country, as well as with the type of farm, collective or individual. It is the task of the local Soviets to see to it that the amount of the per-hectare tax on the individual farm is from 5 to 10 per cent larger than the tax on a collective farm in

[211] Stalin, J., from speech delivered at the First All-Union Congress of shock-workers of the collectives on Feb. 19, 1933, *Pravda*, Feb. 23, 1933.

[212] "Ob Obiazatelnoi Postanovke Zerna Gosudarstvu Kolkhozami i Edinolichnymi Khoziaistvami" (On Obligatory Delivery of Grain to the State by the Collective and Individual Farms), decree issued by the Council of People's Commissars and the Central Committee of the Communist Party, *Pravda*, Jan. 20, 1933.

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the same district (Par. 7). The reduction in the grain tax levied on collective farms served by Machine Tractor Stations is due to the fact that where the latter perform all the basic field operations,[213] they receive for these services 20 per cent of the gross grain crop.[214]

GRAIN TAX—BY REGIONS *
(in quintals per hectare)

	Collectives Served By M.T.S.	*Collectives Not Served By M.T.S.*
Crimea	2.7	3.3
Ukraine	2.3	3.1
Eastern Siberia	2.7	3.1
Western Siberia	2.1	2.5
Central Black Soil	2.6	3.0
North Caucasus	2.1	2.5
Kirghiz	1.9	2.2
Kazakstan	1.5	2.0
Tartar	1.8	2.3
Middle Volga	1.8	2.3
Bashkir	1.8	2.3
Lower Volga	1.8	2.2
Far East	1.3	1.8
Ural	1.5	1.9

* *Pravda*, Jan. 20, 1933.

Here, as in the May Decrees, the peasant is tempted into work by the surplus of agricultural products he has a right to dispose of in the open market. The peasant's conviction that the surplus would be available at the close of the agricultural year is all-important. By decreasing the amount of both grain and livestock procurements the May Decrees attempted to assure him of a surplus, but by leaving the old system of procurements intact, these very decrees vitiated their main purpose. This was corrected by the Decree of January 19, 1933, enabling the collectivized farmer to calculate in advance the

[213] *Note:* Basic field operations include plowing, sowing, harvesting and threshing.

[214] "Primernyi Dogovor M.T.S. s Kolkhozami" (Typical Agreement between a Machine Tractor Station and Collective Farms), Par. 10. Paragraph 11 of the agreement states that for plowing alone the collective farms must turn over to the M.T.S. 10 per cent of the gross grain crop and for threshing, 8 per cent.

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amount of agricultural products to be turned over to the State and the approximate amount which would remain in his own possession. The collectives as such, their members and the individual peasants of a given administrative unit—republic, region, province—have a right to sell their surplus after a particular unit as a whole fulfills the grain-tax obligation, and after the necessary seed funds are set aside.[215] The major evil of the old grain collection system is excluded, namely, the possibility of raising the grain delivery quotas of a particular region due to the non-fulfillment of the original quota in a different region of the country. Thus, the scope of the joint responsibility principle has been narrowed down considerably. To insure a more rapid delivery of the grain tax, and to avoid the necessity of raising it even within a particular administrative unit, there is a provision to the effect that all those who fail to pay the grain tax by specified dates are to pay a fine equal to the amount for which the undelivered grain would sell in the open market. The offenders must also pay immediately the entire yearly grain tax.[216]

The new law is distinctly to the advantage of those who work best, since with a grain tax fixed in advance, the better the fields are tilled—the greater the yield—the greater the surplus. The additional income from sales of this surplus in the open market would lead to still greater efforts. This law, then, is not an administrative fiat imposed upon the collectives by the State but on the contrary an appeal for the coöperation of the collectivized peasantry expressed in terms easily comprehended by them.

In addition to the general policies outlined above, the State enacted a series of measures bearing directly upon the forthcoming spring sowing campaign of the first year of the Second Five-Year-Plan.

The characteristic feature of the spring sowing campaigns

[215] "Ob Obiazatelnoi Postanovke Zerna Gosudarstvu Kolkhozami i Edinolichnymi Khoziaistvami" (On Obligatory Delivery of Grain to the State by the Collective and Individual Farms), Decree issued by the Council of People's Commissars and the Central Committee of the Communist Party, *Pravda*, Jan. 20, 1933 (Par. 15).

[216] *Ibid.*, Par. 16.

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of the past three years—the insistence upon an ever greater extension of the sowing area — was absent. Quality rather than quantity was emphasized. In accordance with this tendency the area sown under the spring crops was cut from 102 million hectares in 1932, to 97.5 million hectares,[217] and to a finally revised figure of 95 million hectares.[218]

Out of this total the collective farms were to plant almost 67 million hectares, the State farms 10 million and the individual farmers 18 million.[219] The Soviet Government did not fail to stress the necessity and the importance of having all the tractors well repaired,[220] and the livestock well conditioned for field work.[221] A recurrent theme was the necessity of timely seed collections. Certain areas such as the Ukraine and North Caucasus, which, due to poor yield, excessive grain collections and consequent food difficulties had to consume all the available grain, remained with little or no seed funds. In this case the Soviet Government loaned to the collectives of the Ukraine almost 3.1 million quintals of seed and to those of North Caucasus over 2 million quintals.[222]

Not all the policies and measures introduced during the months of January and February 1933 found their complete and immediate application in the sowing and harvesting campaigns. The work performed was not up to the highest standards. But the peasantry, realizing that collectivization had

[217] "O Meropriiatiiakh Po Povysheniiu Urozhaia" (On Measures Concerning the Increase in Yield), decree issued by Council of Commissars of U.S.S.R. and Central Committee of the Communist Party, Sept. 29, 1932, *Izvestia*, Sept. 30, 1932.

[218] *Pravda*, Feb. 1, 1933. [219] *Ibid.*

[220] "O Remonte Traktorov k Vesennei Posevnoi Kampanii" (Concerning Tractor Repairs for the Spring Sowing Campaign), Decree issued by the Council of Commissars of the U.S.S.R. and Central Committee of the Communist Party, Jan. 29, 1933, *Ekonomicheskaia Zhizn*, Jan. 30, 1933.

[221] "O Podgotovke Rabochego Skota k Vesennemu Sevu" (On the Condition of Draft Animals for the Spring Sowing), Decree promulgated Feb. 1, 1933, *Pravda*, Feb. 11, 1933.

[222] "O Semennoi Pomoshchi Kolkhozam i Sovkhozam Ukrainy i Severnogo Kavkaza" (Concerning the Assistance in Seed Given to the Collective and State Farms in the Ukraine and North Caucasus), Decree promulgated Feb. 25, 1933, *Pravda*, Feb. 26, 1933.

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come to stay and dreading the repetition of last year's food shortages, managed to work the fields better than in the three preceding years. The official bulletins of the Commissariat of Agriculture revealed that during the months of April and May sowing proceeded at a more rapid pace than during the three previous planting campaigns.[223] Judged by the field work of 1932 the Ukraine and North Caucasus lagged far behind many other sections of the Soviet Union. This year, however, even these regions managed to raise last year's low level both quantitatively and qualitatively. The North Caucasus, for instance, planted during the first 15 days of the campaign 26 million hectares in 1931, 18 million in 1932, and 32 million in 1933.[224] The sowing was completed by June 20, later than it had been anticipated, but considering the fact that during the height of the season more was sown and in a more efficient manner than in 1932, the Soviet Government felt that real progress had been made toward a higher yield.

The harvesting of the crop did not proceed as per schedule. This was particularly true of the early and middle parts of August. Judging by the reports from the fields, the chief difficulty was in the extremely poor work of the tractors and other modern agricultural implements. In certain Machine Tractor Stations from one-third to one-half of the tractors and combines could hardly be utilized at all.[225] The reports covering the work of the tractors for the entire Ukraine, the North Caucasus and the Central-Black-Soil region call attention to their very low productivity; over 50 per cent of the normal time schedules was wasted due to poor repairs, inexperienced tractor-drivers and field mechanics.[226] But despite the poor showing of the mechanical section, there was considerable improvement in the work, thanks to the excellent weather conditions, the promise by the government of cows

[223] See bulletins in *Pravda* for April 25 and 30; May 5, 11, 15, 20, 25, 30 and June 5, 1933.

[224] *Pravda*, April 6, 1933.

[225] *Pravda*, July 27, Aug. 2 and 10, 1933.

[226] Vareikis, I., "Mashina Delaet Seichas v Derevne Muzyku" (The Machine Now Provides the Village with Music), *Pravda*, Nov. 7, 1933.

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to those lacking them, governmental measures against additional grain collections, and the eagerness of the collectivized peasants to share in the good crop. From the end of August on there was noticeable a more rapid tempo than in 1932 in all the various phases connected with the harvesting season.[227]

From the Communist point of view the crowning achievement of the collectives was the early fulfillment of the grain obligations. The figures cited below are for both the collectivistic and individualistic sectors, but in view of the fact that the collectives alone accounted for over 80 per cent of the entire grain tax delivered to the State, we may accept the figures as reflecting the manner in which the collectives carried out their obligations. The grain deliveries began almost simultaneously with the harvesting of the crop. While during the months of July, August and September the State expected to collect 55 per cent of the total grain tax, it actually collected 80 per cent.[228] This compares favorably with a 45 per cent fulfillment of the plan for the same period for 1932. On November 20, almost 6 weeks ahead of the final date set by the government, collection of the grain tax was completed. The amount of grain collected was 21 per cent larger than in 1932.[229] By December 15 the collectivized peasantry discharged a further obligation to the State, in addition to the grain tax, by full payment in kind to the Machine Tractor Stations for services rendered.[230]

The Communists pointed out that this was the first time since the October Revolution that the grain collection campaign was so well organized and carried out in so short a time. No region was burdened with additional grain quotas because this year's plan was carried out not only by the Soviet Government as a whole, but by each republic, region or province

[227] See official bulletins of the Commissariat of Agriculture; *Pravda*, Aug. 27, Sept. 5, 11, 16, 21, Oct. 16 and 21, 1933.

[228] "Velikaia Pobeda Partii" (The Great Victory of the Party), editorial in *Bolshevik*, Dec. 15, 1933, p. 6.

[229] Chernov, M., "O Tom Chto Obespechilo Pobedu" (Concerning that Which Insured the Victory), *Pravda*, Dec. 16, 1933.

[230] "Torzhestvo Novykh Metodov Partiinogo Rukovodstva" (The Triumph of the New Methods Used by the Party Leadership), editorial in *Pravda*, Dec. 1, 1933.

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separately.[231] Of great significance in the eyes of the Communists was the fact that these achievements did not come by way of mass compulsion: "This year's feature of outstanding importance was that the collectivized . . . farmers discharged their obligations to the State without recourse to any form of mass repressions."[232] Instead, it was largely the Soviet Government's strenuous struggle against deviations from the original meaning of the grain tax which convinced the peasants of the government's intention to live up to its promise. It would seem then, that the collectivized peasantry followed the leadership of the Communist Party as regards life and work on the collective farms, only on condition that after the grain quotas had been delivered, as contemplated by the law of January 19, 1933, there would be no additional grain levies, and the peasants would be sole owners of their surpluses.

From the Communist point of view the grim severity of the struggle for collectivization of agriculture is justified by the results already attained. The hardships to which a considerable part of the collectivized peasantry was subjected during the years 1930 and early 1933, are brushed aside as factors devoid of any importance. "Compare your difficulties and privations", Stalin stated at the conference of the shock brigade workers of the collective farms, "with the difficulties and privations the workers had to go through [in 1918-1920] and you will see that yours do not warrant even serious consideration".[233] But of utmost importance is the fact that over 15 million households representing 65 per cent of the total peasant households are consolidated into 225,000 collective farms comprising 74 per cent of the entire grain cultivated area, while the remaining 35 per cent cultivate only 15 per cent of this area. The wasteful strips that dotted the Russian countryside for hundreds of years have almost disappeared. Uncultivated large tracts of land, which could not be worked with the equipment and through the efforts of an individual peasant,

[231] Chernov, *loc. cit.*, see comparative table dealing with this matter.

[232] *Ibid.*

[233] Stalin, J., "On the Work in the Village", *Pravda*, Jan. 17, 1933.

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have been put to use now. The former basic agricultural implements of the Russian village, such as the wooden plow, the sickle, the scythe, the hand-rake and the flail are rapidly giving way before more than 200,000 tractors and other modern agricultural machinery with which the State has supplied the collectives during the last four years. While the tractor capacity now available (over 3 million horse power) is less than 20 per cent of the total required for the complete mechanization of agriculture, a solid foundation for the technical revolution has been laid. The present production capacity of the Soviet tractor plants, amounting to 80,000 units yearly, will be increased to 120,000 with the completion of the Cheliabinsk plant; this, combined with the numerous modern factories producing agricultural implements, is an indication that the means for carrying out the technical revolution are at hand.

The immediate problem is the proper utilization of the tractors and machines. Although much has been done in this direction during the last few years, not nearly enough has been accomplished toward the solution of the pressing problem. Iakovlev's report on the conditions of the mechanized sector[234] was succinctly summed up by Stalin in the following statement: "As for the utilization of the tractors and machines, the unsatisfying state of affairs is so clear and so generally known that it doesn't need any proof."[235] This condition is aggravated by the great reduction of livestock throughout the Soviet Union (see table on next page).

The huge loss of livestock, particularly in horses and horned cattle which could have been utilized on the fields, can be restored only after years of strenuous effort. Even if the tractors and machines were fully utilized, their present number could hardly compensate for that loss. But considering the present low level of productivity, the urgent problem confronting the collective movement consists not only in a

[234] Iakovlev, Ya., Commissar of Agriculture of the U.S.S.R., "Itogi Selskokhoziaistvennogo Goda i Vesenniaia Posevnaia Kampaniia 1934" (Results of the Agricultural Year 1933 and the Spring Sowing Campaign of 1934), *Izvestia*, Jan. 6, 1934.

[235] From Stalin's report to the Seventeenth Party Congress, *Pravda*, Jan. 28, 1934.

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TOTAL LIVESTOCK IN RUSSIA IN 1916 AND U.S.S.R. 1928-1933 *
(in millions of heads)

Year	*Horses*	*Horned Cattle*	*Hogs*	*Sheep and Goats*
1916	35.1	58.9	20.3	115.2
1928	34.5	70.5	25.9	146.6
1929	34.6	67.1	20.3	146.7
1930	30.7	53.9	13.3	113.1
1931	26.2	47.9	14.4	77.7
1932	19.6	40.7	11.6	52.1
1933	16.6	38.6	12.2	50.6

* The figures for the years 1928-30 are taken from the *Statistical Handbook of the U.S.S.R.* (Moscow, 1932), p. 191. The figures for all other years are taken from Stalin's report to the Seventeenth Party Congress, *Pravda*, Jan. 28, 1934.

regeneration of the entire livestock-breeding industry and in a steady rise in the output of tractors and machines, but also in the complete mastery of the latter as rapidly as possible.

The social structure of the village has undergone a fundamental change within the last few years. The central figure there is the collectivized peasant. Notwithstanding the fact that he is still permeated with a petty-bourgeois ideology, the Communists believe that he has been shifted from the material base without which further growth of purely capitalistic tendencies is impossible. Moreover, the kulaks as a class have been expropriated and wiped out. To this extent the collective movement has served to eradicate the class differentiation in the village.

Important as are the enumerated gains, from the Communist point of view the main achievement of collectivization of agriculture lies in the fact that while in 1929-30 the individual peasants delivered to the State 144 million quintals of grain and the collective farms 20 million, in 1933 the individual peasants supplied slightly less than 23 million quintals while the collective farms supplied the State with 164 quintals of grain. The hope expressed at the Sixteenth Party Congress in 1930 for a speedy reversal of the rôles of the two agricultural systems has finally been realized. Considering the dominating force which the collective farms represent now in the Soviet village as compared with the remaining vestiges of individual farming, Stalin's statement made early in 1933 to

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the effect that "the problem of the collectives is no more 'to be or not to be'" and that "the way to the old individual farming is now definitely closed" [236] can hardly be questioned any longer.

The total grain crop of 1933 was estimated at 898 million quintals [237] or a 22.5 per cent increase over last year's. This was not due to any appreciable increase in the 1933 area sown under grain, amounting as it did to only 1.5 million hectares more than in 1932. The increase was due to an estimated yield of 8.8 quintals per hectare as compared with 7 quintals in 1932. While this increase registered a definite improvement in the attempt to increase the productivity of the soil, it still is considerably short of the figures specified by the First Five-Year-Plan. The slow progress made during the period of mass collectivization in raising the yield to a higher level is not a result of the collective system as such. In the years prior to the period of mass collectivization there was evidence that the collective farms were capable of much greater productivity than the ordinary individual peasant farm despite the former's underequipment in both livestock and machines. The low level may be attributed to the "growing pains" of a system of large-scale agriculture created in such a short time, and the "over-night" transformation of an easy-going peasant on a small farm into a member of a collective farm embracing hundreds of hectares of land. The necessity of an unusually

[236] From Stalin's report before the Joint Plenary Session of the Central Committee and the Central Control Committee of the Communist Party, *Pravda*, Jan. 10, 1933.

[237] This figure reflects a preliminary estimate of the crop in the fields to be harvested, including a 10 per cent deduction for all possible losses. This allowance would serve its purpose if the crop were harvested with a minimum loss, or more concretely, with "technically unavoidable losses." This, however, was not the case in the summer of 1933. In many collectives the difference between the preliminary estimated yield per hectare and the actual yield as shown by the amount of threshed grain per hectare, stood not at 10 per cent, but at 20, 30 and 40 per cent. In view of this fact the figure of 898 million quintals would have to be subjected to a downward revision in order to ascertain the amount of grain actually gathered.

For an illuminating discussion of the method in which the yield of 1933 was estimated see N. Ossinski's article "Ob Uborke, Obmolote i Poteriakh" (Concerning the Harvesting of the Crop, Threshing and Losses), *Izvestia*, Sept. 21, 1933.

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rapid adjustment required by the substitution of a tractor for a wooden plow militates against the fullest development of the productive forces created by the new system of agriculture. But by far the most important factors underlying the main difficulties in this field were the methods pursued by the Soviet Government in organizing and dealing with the collectives during the period from late 1929 to early 1933. The principle of voluntarism upon which the organization of the collectives was to have proceeded, was to a large degree superseded by direct and indirect compulsion. One of the main aims of the Five-Year-Plan in Agriculture, the close interrelation of the organization of large collective farms with a new technical base and a trained labor force, was vitiated because the speed at which collectivization was carried on was such, that it resulted in a large collectivized area being thrown out of gear with the other component parts of the Five-Year-Plan. Thus the Plan became ineffective shortly after its inauguration and the work in the village was largely carried out through the promulgation of administrative measures. The latter succeeded not only in collectivizing almost 75 per cent of the cultivated land area of the country, but also in antagonizing a considerable part of the peasantry thus collectivized. The attitude of the peasants was fully reflected in the refusal to till the land properly, in the resulting low yield of the collectivized fields, and in the peasantry's preference to slaughter the livestock rather than turn it over to the collective farms.

The results of the agricultural year of 1933 have shown that at that time the problem of increasing the productivity of the land was inextricably bound up with the problem of how to infuse into the collective movement a will to press forward. The answer was found in a change of attitude on the part of the Communist Party toward the most important of all known agricultural machines—the peasant. This involved a shift of emphasis from coercive and repressive measures to policies more sympathetic to the economic interests of the collectivized peasants. In order that these interests be fully realized, a mutually advantageous exchange of goods must take place. The tendency now is in this direction, since

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a considerable part of this program is likely to be achieved through the realization of the Second Five-Year-Plan, the main objective of which is the increased production of consumers' goods at lower prices. As more of the peasants' needs would thus be satisfied, and an incentive to work created, so may they be expected to move to greater and greater efforts. But until such time as there exists a fully developed incentive to such efforts, it is premature to judge adequately the extent to which in Russian conditions a collective system of agriculture is superior to an individualistic system.

The Communists view the organization of the collective farms not only as a means of raising large crops, but also as a major move toward building socialism in the village and in the Soviet Union as a whole. Such an achievement depends upon the complete liquidation of the differences between the city and the village, with a classless society arising in consequence. In order to do away with classes, in Lenin's opinion, it was necessary "to eradicate the difference between the workers and the peasants, to turn all into workers". Thus, in order to solve the central problem of the October Revolution, the creation of a unified, planned, socialistic economy, the Soviet Government must concern itself not only with making the collectivized peasant work to the best of his abilities, but must also proceed to the herculean task of de-peasantizing the peasant. Will the artel type of collective farm as now constituted be capable of accomplishing these two things simultaneously? One is inclined to question such a possibility, since the noticeable improvement of the work in the artel was due to governmental legislation which accentuated rather than eradicated the individualistic proclivities of its members. An agricultural system where the peasant cannot accumulate capital goods and where the State-owned land and the modern equipment are worked collectively, is unquestionably a break with traditions handed down by generations of small cultivators. But the perpetuation of this very type of a collective farm that allows its members to carry on a limited individual economy of their own and gives them the right to dispose on the open market of agricultural products earned as members of

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the collective is not necessarily conducive to the elimination of the acquisitive ideas of the peasantry. One wonders, therefore, whether the Soviet Government will not replace the collective farm with a State farm where the collectivized peasants will be transformed into agricultural workers and purged of a centuries-old peasant ideology. One may also venture to suggest that the road between the present collective farm and the State farm—the "grain factory"—should be traveled slowly and carefully, for the attitude of the peasants toward the Soviet State during the period of mass collectivization and under the subsequent agricultural policies of 1933 is a concrete proof that the process of building socialism in the Russian village must proceed upon the maxim enunciated by Lenin, namely, "step by step, and inch by inch." *

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ADVISORY POLICY COMMITTEES FOR POLITICAL PARTIES

ONE of the most curious anomalies in modern democratic government is the fact that political parties, while developing the most elaborate machinery with which to acquire power, are so little concerned with advance preparations for the exercise of that power in the public interest. It has been a mere political accident in the United States that, until the present, a period of four months, in the case of the presidency, and thirteen months, in the case of Congress, between the election victory and the assumption of office has provided opportunities for such preparations. Even then, the political leaders too often have been so absorbed in matters of patronage that they have had little time to devote to the consideration of public policies. And, in the future, with that period shortened to two months, the pressure of patronage demands will be even more intense than in the past.

In the field of foreign affairs, for instance, some general statements of the party's position may have been issued in abbreviated form for campaign purposes, but they scarcely touch the surface of the vast complexities of policy with which every government is faced. As a result, the party attaining power is inclined to leave the formulation of foreign policy to the new President and his Secretary of State (in the United States), and they, in turn, must as comparative novices depend largely on the official bureaucracy for advice and instruction. If the party be in a minority, its attitudes on foreign affairs are usually determined by those who happen to be in the most favorable legislative position for discussing such questions. Under the parliamentary system, the spokesman is frequently the party leader; in the United States, he may be the senior party member of the Senate Committee on Foreign Relations. How far either consults others for the purpose of gaining accurate information and authoritative advice is a question difficult to answer, but it is a certainty that their political and

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legislative duties leave them little time for independent and intensive investigations of their own.

It must, in any event, be admitted that political parties have done little to equip themselves or their leaders for the heavy responsibilities involved in the conduct of foreign relations under modern democratic conditions. It has been left for scholars and private associations to recognize the problem of developing informed public attitudes on foreign affairs as a prerequisite to intelligent democratic criticism of governmental policy. But their publications are prepared primarily for general public consumption and can never be adequate for those who require more intimate knowledge. Moreover, they do not automatically generate policy. The function of formulating foreign policy, based on authoritative information, often confidential, and developed in the light of some guiding political principles, is clearly one which the party seeking the responsibilities of power should cultivate for itself.

The outstanding exception to the inactivity of parties in this regard is the Labour Party of Great Britain. For fifteen years the National Executive of this party has had at its disposal an Advisory Committee on International Questions[1] which in many respects fulfills the need indicated above. Of all political organizations, a party professing socialism and depending for its numerical strength upon masses of trade unionists (who seldom possess the interest, leisure or financial position necessary to pursue studies on foreign affairs), is most in need of informed leadership in these matters. Before its advent to power in 1924, the Labour Party was freely reproached for being unqualified to conduct foreign relations should it attain office. And yet Labour made its most distinguished contri-

[1] This body has attracted little attention from students of political affairs and there are no published accounts of its activities available. The latter circumstance is easily understood since the Committee performs its work in secrecy. This paper is based largely on material in its confidential files, to which access was graciously granted, and on private conversations. It would be a violation of this confidence to give illustrative evidence in support of the tentative analysis offered here. Brief mention of its work is to be found in the *Annual Reports* of the Labour Party together with lists of memoranda which have been prepared.

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butions in the realm of foreign policy during its tenure of office in 1924 and achieved some less outstanding successes in 1929-31. It may indeed be contended that only in the realm of foreign policy has the Labour Party been able to produce a fairly well formulated program, pursued in office as well as in opposition. Apart from the diplomatic skill displayed by MacDonald and Henderson, it is a fact beyond doubt that the assistance given the Executive and the Parliamentary Party by the Advisory Committee through the years of office and opposition in formulating the party's attitude on foreign policy has been of very considerable value to the party and the nation.

Like so many other recent political phenomena, the Committee finds its roots in the developments of the World War. The years 1917-1918 were of critical importance in the growth of the party. The Stockholm affair of the summer of 1917 had challenged the movement to reassert its independent political power and to set in motion a renewed offensive for social reconstruction. In order to prepare for the strenuous activity necessary for the realization of its new objectives, the Party required adequate machinery—the creation of an enlarged specialized staff for purposes of organization, publicity and propaganda work, research, etc. In addition, the National Executive, a body composed of trade union officials and a few socialist politicians, felt the need, under increased pressure of work, for specialists to whom it could turn for advice on political, economic and, particularly, international questions. In the spring of 1918, therefore, nine advisory committees were set up. Nearly all except that on International Questions (together with its offshoot, a new Committee on Imperial Affairs) have been recently abolished, and we have no concern with them.[2]

The International Committee has been a body of varying size—from about 10 or 15 at first to at one time about 40—appointed by the Executive from among specialists in the

[2] The Legal Advisory Committee has also been retained. The names of the former members of the other committees are now listed in Advisory Panels, from which the new policy subcommittees of the National Executive may draw assistance as occasion requires. See *Report of the 32nd Annual Labour Party Conference*, pp. 49-51.

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field of foreign affairs. Of these the Party could claim a number in 1918 and even more several years later. Aside from a few trade unionists, such as Tom Shaw, veteran international labor leader, who was chairman from 1921 to 1923, the majority of members consist of scholars, professors, journalists and social reformers, many of whom came into the Party at the end of the war through affiliation with one of its component parts—the Fabian Society or the Independent Labour Party. The latter organization, from its inception in 1893 until a few years ago, gave the British political labor movement most of its leadership and driving power. Prior to the war, it was the I.L.P. almost exclusively which sought to build up an international outlook for British labor; and in August 1914 most of its membership followed MacDonald in his condemnation of the war and refused that active support of the Government's policy which the official Labour Party very early extended. This action served to place the I.L.P., along with the Union of Democratic Control, in the forefront of the propaganda movement against the Government's military and foreign policy throughout the war. Many left-wing Liberals, for whom party loyalty was made difficult through religious scruples (Quaker or Nonconformist), through intellectual repugnance to the gospel of hate, or through possession of that strong pacifist temperament which founded an earlier Liberal tradition, gradually identified themselves with the I.L.P. Others followed this lead during the disastrous years of the Coalition from 1918 to 1922 when the Labour Party (now admitting individual members as well as group associations), alone of British parties, represented an intelligent political effort to restore sanity to the treatment of foreign affairs.

The Labour Party, or as we should probably say, the vast trade-unionist element in the Party, thus found itself for good or ill possessed of some of the best-informed students of foreign affairs in England. They constituted what a recent author has, from an American analogy, dubbed the Mugwump section of the Party [8]—a somewhat mixed group of intellectuals, disaffected radicals and reformers, who were united in their hostile reaction to the existing world politico-economic order.

[8] G. T. Garratt—*The Mugwumps and the Labour Party* (London, 1932).

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It was among this group that the Executive found a nucleus for an Advisory Committee on International Questions. It is an outstanding achievement of the Labour Party in these years that its political organization could make use of a group of affiliates, nationally distinguished as students of international politics and professionally equipped for the research and propaganda work which was required of them. But not all the committee's members have lived behind the scenes of political life; many of them have at one time or another been Members of Parliament.

Although the existence of the Committee and an appreciation of its work is regularly acknowledged in the Labour Party's annual reports, the names of its members have never been published. Many of them are generally known, however, and the roll, if ever completely given, would include such well-known individuals as: C. R. and Mrs. Buxton, Noel Buxton, Sidney Webb, Norman Angell, H. N. Brailsford, George Young, Dr. Hugh Dalton, E. F. Wise, G. D. H. Cole, G. Lowes Dickinson, David Mitrany, W. Arnold-Forster, P. J. Noel Baker, W. N. Gillies, Charles Trevelyan, J. A. Hobson, J. Ramsay MacDonald, Leonard Woolf, A. J. Toynbee, Lord Ponsonby, Bertrand Russell, the late E. D. Morel, Mrs. H. M. Swanwick, C. Delisle Burns, Dr. E. Bentham, and Prof. C. R. Beazley. A number of these, it should be said, are no longer serving actively on the Committee and the names of many of the Parliamentary Party should be added to the list. Leonard Woolf, of the Fabians, has remained secretary from the beginning and W. N. Gillies, chief of the International Department of party headquarters, its administrative officer. After the successive chairmanships of Sidney Webb and Tom Shaw, that post has been held since 1923 by C. R. Buxton, whose contributions to the Committee's work deserve special mention.

The work of all members has been voluntary and without monetary compensation. The service has been given chiefly through devotion to and identification with a cause, and the only reward has been the satisfaction derived from the translation of advice into accepted party policy. The significance of this will be referred to later.

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For several years the Committee had permanent subcommittees but these were superseded by *ad hoc* bodies. One of these—on Imperial Affairs—gradually developed into a separate committee but with the same chairman and identical membership. In general, each member accepts responsibility for specialization in one or more aspects of foreign affairs upon which he may be asked to conduct a special investigation for reference to the Committee. This is not so true of those members of the Parliamentary Labour Party who have indicated an interest in foreign affairs and whose presence on the Advisory Committee is for the purpose of ensuring collaboration.

In its original terms of reference, the National Executive declared that such a committee should "consider, report and advise upon international policy and all questions of an international character, and to watch and advise upon current international developments." Such a committee, it was felt, could assist the leaders of the Party in the formation of an "instructed, co-ordinated and democratic foreign policy". Also it was believed that it could perform a vast amount of educational work in foreign affairs which was needed if the rank and file of labor were to realize the vital importance of international politics to their interests. The Executive declared that, conscious of the fact that it did not have the time itself to collect, sift and consider the material upon which foreign policy must be based, it would depend upon the Committee to relieve it of that work and to offer suggestions upon which decisions might be reached.

Thus the Committee was designed to perform two separate functions for the National Executive and two for the Party as a whole.

For the Executive—

(a) To collect and report the facts on international questions.

(b) To advise on current international developments.

For the Party—

(a) To carry out educational and propaganda work through the preparation of pamphlets and leaflets.

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(b) To provide Labour speakers and publications with information and "ammunition".

From this it will be observed that the Committee is much more than an advisory body. It is a research bureau, a propagandist agency and a speaker's first-aid station as well. These activities will be considered separately.

The main function of the Committee has been to prepare information on foreign affairs and submit reports to the Executive. Nearly two hundred such reports, some of them lengthy memoranda, others brief in nature, have been so presented in sixteen years. These memoranda cover a large part of the field of international political and economic questions, and, in so far as they involve the product of research, fall into one or more of the following categories:[4]

(a) An investigation into and summary of the Party's past commitments of policy in order to enable the Executive to act consistently.

(b) An exploration of the historical background of a given international problem.

(c) An investigation of policies being pursued by a foreign or by the British government.

(d) A study of the success of a given international policy or experiment in operation.

(e) An exhaustive and systematic research into some major, long-standing problem, such as disarmament.

(f) A summary of the merits and demerits of a proposal or a decision by a foreign or the British government demanding immediate action.

[4] For instance, in the year 1928, the following subjects were treated: The Meaning of Aggression and the Polish Resolution, All-inclusive Arbitration and the Norwegian Resolution, The Government's Attitude towards Disarmament, Notes on the Polish-Lithuanian Dispute, Freedom of the Seas in War, Commentary on the British Government's Observations to the League of Nations on Arbitration and Security, Report on the American Proposals for the Outlawry of War, The Minorities Problem, The American Treaty Offer, The British Reply to Mr. Kellogg, The American Peace Pact and the British Reply, The Constitution of British Guiana, The Labour Party and the Simon Commission, The Kenya Native Lands Trust Ordinance, Notes on the Breakdown of the Treaty of Alliance with Egypt, The India High Courts Bill—*Report of the 28th Annual Labour Party Conference*, p. 42.

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One purpose of these memoranda is to give the Executive an authoritative body of information upon which it may formulate party policy as occasion requires. Some go further and *recommend* that policy, or even offer draft resolutions. But the process here isolated is that of fact-finding—the function of research specialists—and the submission of those facts fully and frankly in a manner made possible by secrecy. The sources of the Committee's information would be difficult to enumerate. The printed official records, foreign newspapers, private information sent through the International Department by foreign socialists and international socialist headquarters, personal investigations by Committee members conducted on the spot abroad, the confidential hearings of special advocates and of impartial experts before the Committee, must all be included.[5] Naturally, the Foreign Office might claim that its own information gathered through official representatives was on the whole more authoritative, and even a Labour Foreign Minister might be so convinced, as it is charged was the case with MacDonald in 1924.[6] No doubt the reporting of facts by foreign socialists and other advocates may be colored by special pleading, but it would be likewise difficult for a diplomat, who is also only human, to divorce himself completely from a type of interpretation rooted in his own personal history. Facts are elusive things, for they are the product of perceptions and judgments, all of which are imperfect, the "official" as well as others. Moreover, the Committee does make an effort to inform itself of all sides to a case.

[5] Between 1920 and 1923 when the Party reached its height of youthful vigor, special commissions were despatched by the Labour Executive at various times to investigate affairs in Soviet Russia, Hungary, Egypt, Germany, etc., and proposals were even heard for a permanent party "diplomatic service" abroad. While this ambitious practice has been largely abandoned, the Executive does send "unofficial observers", usually members of the Advisory Committee, to Geneva and other major international conferences.

[6] But in some respects the Committee had an advantage over the Foreign Office for it was able to give a hearing to representatives of minority parties abroad, who could not, for reasons of formal etiquette, be received officially. On one occasion, during the second Labour administration, the channel of communication between Mr. Henderson and a certain prominent foreign politician was supplied by several members of the Committee.

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The Committee is also required to make recommendations to the Executive. These have been suggestions either as to substantial policy, or as to the tactics of pronouncement by the Executive or the Parliamentary Party. As meetings are held every two or three weeks during the parliamentary session, it is possible for the Executive to seek the Committee's counsel on problems as they arise as well as on more permanent issues. On the other hand, the Executive does not hesitate to act in sudden emergencies without consulting the Committee, as occurred in the autumn of 1931 in the Japanese-Manchurian affair.

Much of the counsel offered by the Committee is in the form of elaborate memoranda, but in conformity with its propaganda functions, the recommendations are at other times embodied in material suitable for immediate public pronouncement, as releases to the press, manifestoes and statements, or resolutions to be placed by the Executive before the Party conference. The longer memoranda, not for publication, except when the Executive authorized their issuance in pamphlet form for propaganda purposes, were at first used almost exclusively. An examination of the Executive's public statements shows that considerable use, sometimes almost verbatim, was made of these recommendations. This probably encouraged the Committee about 1920 to submit its advice in shorter drafts as indicated above. As the National Executive continued to find them useful, it occasionally requested such drafts from the Committee, and although some were considerably revised, many found their way into public statements without alteration.

It would seem, in general, that the Advisory Committee was, in the period of 1920-23, much more directly responsible for the final form of policy statements than it was before or has been since. After the first Labour Government, it reverted to the practice of preparing extensive reports supporting recommendations, although in the treatment of such a technical problem as disarmament, the Committee found it convenient a few years ago to submit a detailed draft treaty for consideration. The process of drafting may be separate from that of advising and no doubt demands a different order of specialized skill,

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but it would be a natural tendency for an advisory committee to desire wholesale acceptance of its counsel and to encourage this by submitting its material in suitable form for public issuance. While this practice might under certain circumstances deprive the Executive of the fuller confidential advice of the private memoranda, it does not actually do so, since the Executive always has access to the Committee, not only informally and through Mr. Gillies, the liaison officer, but also through the presence of some of its members on the Committee.

As an educational and propagandist agency for the Party, the Committee has prepared more than a score of pamphlets on foreign affairs.[7] Material has also been compiled, frequently with the valuable assistance of the International Department, for campaign leaflets, speakers' handbooks, the *Labour Bulletin* and Labour year-books.

The propaganda work demands a special technique. It is naturally performed by those who have a flair for popular journalism and who are closely in touch with political realities. The Committee works in close collaboration with the Party Press and Publicity Department in planning and preparing the material. In addition, many members advocate directly in socialist periodicals or on the public platform and, because of the weight of their position and reputation as "international experts", their influence may be considerable. They thus "popularize" the policy throughout the nation.

The relationship of the Committee to the Parliamentary Labour Party, whose organization is distinct from that of the national Labour Party, was bound to raise some delicate problems. How was the Advisory Committee, appointed by and attached confidentially to the National Executive, to make its services available to Labour Members of Parliament? To ask the question seems to presuppose the necessity of a direct con-

[7] For instance in 1919: *The Problem of Austria-Hungary, Freedom of the Seas, Economic War after the War, A League of Nations;* in 1920, *Labour Policy and the Famine, International Economic Policy, Labour's Russian Policy;* in 1921, *The Empire in Africa—Labour's Policy, Irish Nationalism and Labour Internationalism* (by George Bernard Shaw), *Unemployment, the Peace and the Indemnity;* in 1922, *The War for Coal and Iron.* Very few such pamphlets have been printed in more recent years.

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nection, whereas it might be contended that the formulation of Party policy should be left to the Executive and that the Parliamentary Party is morally bound to follow its leadership. But the latter has not always been disposed to accept a subordinate position and has insisted on a corporate entity of its own with a separate will. (Obviously, however, in the interests of party harmony, sharp divergences of opinion on policy are not likely to be insisted on publicly, and indeed, where many Labour leaders are to be found in both bodies, are not likely to arise.) With a strong following, and especially when holding office, the Parliamentary Party is in the strategic position of becoming the dog instead of the tail.

As for the Advisory Committee, the problem tends to adjust itself. In its early years, the vast majority of the Committee were outside of Parliament and only a handful of M.P.'s interested in foreign affairs attended its sessions. It is true that memoranda of fact and recommendations of policy, if approved, were occasionally forwarded by the Executive to the Parliamentary Party and this has always been of importance in producing harmony. But the Committee itself was inclined in these years to complain that its contacts with Labour Members in the House were not more direct and effective. For while there was little faith in Parliament as a direct instrument for controlling foreign policy, that body was conceived to be the best public platform for propaganda effects in the country.

From the end of the war until the dissolution of the Coalition and the election of a new Commons in 1922, the lack of able statesmanship and forceful political leadership in Labour's parliamentary group was widely commented on. The Advisory Committee saw much of its work effectually imperiled by this incompetence and sought earnestly to overcome it. The situation took an important turn, however, when the 1922 and 1923 elections greatly increased Labour's parliamentary following and many of the Advisory Committee were carried into the House of Commons. In addition, other M.P.'s, now become more politically conscious of foreign affairs through the pressure of events, were clamoring for admission to the Com-

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mittee. The total effect was to produce in the Committee a considerable majority of M.P.'s. This condition held possibilities of direct public advocacy by the Committee for its conclusions, regardless of whether the Executive acted or not. It is significant that the year 1923 marked a high-water-mark in the development of something more than a research-advisory function of the Committee, and while its usefulness was enhanced in one capacity (applying pressure in the Commons), it would probably have been soon endangered in the others.

After 1925 the proportion of M.P.'s to private individuals in the Committee slightly declined until, since the 1931 election, it has dropped to a very small figure. With the present shrunken parliamentary representation of the Party, the demands on each Member for services in the House are so great that few can be spared for outside committee work.

Far more critical to the continued vitality of the Advisory Committee were the problems raised by the Labour Party's accession to governmental office for the first time after a long period of irresponsible opposition. Labour's advent to power in 1924, after the surprise election of 1923 in which it reaped the rewards of four years' propaganda effort, was sudden and unexpected. Nothing whatever had been done to prepare party machinery for an entirely new situation.

The first meetings of the Advisory Committee in early 1924 were attended by the largest and most enthusiastic group of members, many of them in the House of Commons, it had ever assembled. It confidently expected to play a major rôle in the conduct of foreign relations and forthwith submitted a memorandum to the Prime Minister on what a Labour Government could do to strengthen the League of Nations—a report, incidentally, which is of extraordinary interest in the light of subsequent happenings. The Committee was doomed to disappointment. Mr. MacDonald preferred to depend upon the Foreign Office for counsel and although the Committee sent several communications of importance, it was soon evident that they were for the most part neglected and ignored. The problem was partly personal, and in this respect was relieved considerably during Mr. Henderson's tenure of the office of

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Foreign Secretary from 1929 to 1931. Mr. Henderson received reports from the Committee and frequently consulted its members.[8]

However, the difficulty is more fundamental. Should, for instance, a party committee advise an officer of government? While this question caused some anxiety at first, it is easily answered, as it is perfectly consistent with modern government by political parties that the members of the Cabinet possess an unofficial political will as well as a governmental will, and the former may legitimately control the latter. Indeed, the Foreign Minister, impressed though he may be by the newly-discovered and treasured confidences of his office staff, whose sources of information he may consider superior to those of an amateur committee, would do well as the representative of a party to formulate policies with at least some regard for counsel submitted in the light of developing party principles. In fact, the value of such a committee cannot be overestimated as an experiment in party government. For if the harassed Foreign Secretary can be relieved of absolute dependence upon the official permanent bureaucracy through having access to alternative and possibly equally authoritative interpretations and advice from men with a point of view distinct from that of the official, his decisions can, theoretically, be the more intelligently reached. The qualification "theoretically" is inserted, since many a busy or vacillating executive might prefer one bad adviser to two good ones who require him to discriminate.

It has been fashionable for students of politics in the past decade to express considerable misgivings as to the possibility of popular self-government in the form advocated not many years previously. The god Demos has been dethroned and the "Expert" must take his place, they contend. No doubt this blind faith in the omniscience and omnicompetence of the specialist already needs revision, but the fact remains that the government official charged with making decisions cannot do

[8] Lord Olivier, Indian Secretary in 1924, had done likewise. Although it is difficult for a Minister to attend the Committee sessions, Dr. Hugh Dalton, Under-Secretary for Foreign Affairs under Mr. Henderson (1929-31) and a member of long standing in the Committee, was frequently present.

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so intelligently without assistance, which must include not only information, or if one will, interpretations, but suggestions for action based thereupon.

If this be true of government, it is little less true of the political party. While the latter slowly, but increasingly, realizes this as regards its technical equipment, it has done little to prepare itself or its prospective office-holders for the adoption of sound attitudes on public questions such as foreign affairs. This failure is largely attributable to the loose, heterogeneous make-up of the modern party, which in rare cases represents a fixed, unified body of convictions or principles. It may well be that the use of advisory committees on foreign policy is possible only for a party fairly well-disciplined in the acceptance and support of a political creed. Even the Labour Party's committee seemed to flourish better in the early post-war years when the formulae of nationalization in domestic and internationalism in foreign policy represented something of a working faith. The crisis in the Party in 1931 has left it momentarily stunned and ineffective, and the continued service of the International and Imperial Committees depends largely on the direction which the Party's development now takes.

The amount of use made of the advice and propaganda prepared by the Committee is a factor in its continued existence. For it is the natural tendency of such a body to find its reward in *results,* since there is no monetary compensation, and no public prestige. The defunct advisory committees seem to have been dissatisfied with the lack of results and their members suffered inevitable discouragement. It is undesirable that the Party Executive should ever become a rubber-stamp to such a committee, but it is equally unfortunate if the committee's counsel is not given the fullest consideration it deserves.

In conclusion, it may be said that the experiment has aided the Labour Party to develop, in the language of its original terms of reference, "an instructed, co-ordinated and democratic foreign policy":—"instructed", because the Party has made use of its unique talent in these matters to give aid to its leaders in the adoption of policy, and to its rank and file in the under-

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standing thereof; "co-ordinated", because the Committee has been a permanent body, not dependent on the variations of popular esteem, and thus capable of evolving policy over a long period in the light of principles; "democratic" (in a somewhat different sense of the term than that used in the terms of reference), because the final decision rests with an elected Executive, which, in order to function well as the Party Conference naturally demands, needs such expert assistance.

The recommendations, to be accepted, will always have to be supported by the effective party leaders, and the combination of these politicians and the experts affords a reasonable solution to the problem presented in the opening paragraphs of this article. Naturally, in those matters upon which strong public sentiment already exists, the practical politician must consider this as his primary guide, but as regards most problems of foreign affairs, the mass of the people wait for leadership in the press or their parties.

If government by political party is, at least in the west, to remain an active and vigorous thing, the party must adjust itself to the requirements of modern post-war life. The delicate issues of policy which may lead to war or peace, to world economic crisis or prosperity, cannot safely be left to a political group whose thoughts have been centered exclusively on the acquisition of power. The public is entitled to demand that political parties, be they destined to office or opposition, shall seek to develop within themselves the best facilities available for the determination of their attitudes on political questions. Whether an Advisory Committee, in the form adopted by the British Labour Party, offers such facilities is a matter for each nationally responsible party to decide.

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EMERGENCIES AND THE LAW

THE rapid changes in economic conditions during the past few years have called for such rapid institutional adjustments that it has become a matter of vital political and economic importance to learn whether or not the Constitution will be bent by the judiciary to permit these adaptations. Those to whom the expansive tendencies of governmental development today are abhorrent seek refuge in phrases of the past and insist that "only as a last resort, if even then, can the Constitution be destroyed to serve humanitarian ends".[1] If changes in the economic and legal structure of the country are based on the existence of a widespread emergency, these frightened verbalists may be soothed by the implication of a mere temporary aberration from the sacred tablets of the law. Therefore many Federal and state laws and municipal ordinances have been adopted in the past few years "only for the period of the emergency". However, resort to this device offers a new difficulty in the interpretation of legislation, for the courts must in the last resort bear the burden of deciding just what constitutes an emergency, in what its peculiarities consist, whence it comes and especially when it goes. Dictionaries afford little help; their definitions are as nebulous as the word to be defined and merely state that an emergency is "any event or occasional combination of circumstances which calls for immediate action or remedy; pressing necessity; exigency".[2] In failing to shed any ray of light on the kind of combination of circumstances that calls for immediate action, and what is meant by immediate action or pressing necessity, this definition leaves the matter precisely where it was. In the last analysis, the recognition of the

[1] State *ex rel.* Hamilton *v.* Martin, 23 P. (2d), 1, 5, dissenting opinion (1933, Supreme Court, Washington).

[2] *Words and Phrases*, IV Series, Vol. I. *Cf.* Shumaker and Longsdorf, *Cyclopedic Law Dictionary*, Second Edition; *Webster's New International Dictionary*, revised.

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emergency depends in each situation upon the judgment in particular circumstances of the executive, the legislative and, above all, the judicial authorities. All three seem successfully to have evaded any definition and even any explanation of the degree of authority added to governmental power by emergency situations, although there is general agreement that exigency does make some difference.

In the determination of the existence of an emergency and the action to be taken in it, the executive has authority, the legislative body has even more of it and the judiciary has the final determining voice. The executive, whether president or governor,[3] often acts in emergency situations without further authorization than that derived from his general grant of power to secure the faithful execution of the laws. For instance, when Governor Schmedeman ordered all Wisconsin creameries closed during the 1933 milk strike, he reopened them under administrative license by the state health department as a part of his executive power.[4] The executive often frames his conduct in such emergency situations in the hope of later securing retroactive validation by the legislative body of any action taken without its blessing. Whether or not President Lincoln expected such blessing, at least in regard to some of his acts proclaiming a state of war and procuring fighting forces, he secured it.[5] One way in which the executive may deal with

[3] As the emphasis of this paper is primarily on the judicial determination of emergency, only brief mention is made of the rôle of the executive in the matter. For more adequate discussion of that phase of the subject, *vide* Culp, Maurice S., "Executive Power in Emergencies", 31 *Michigan Law Review*, 8. For discussion of the executive powers in war time, *vide* Berdahl, Clarence, *The War Powers of the Executive in the United States* (1920).

[4] Culp, *loc. cit.*, p. 1066, quoting from *New York Times*, May 13, 1933.

[5] Proclamation of May 3, 1861 and proclamation of April 19, 1861, ratified by Congress on August 6, 1861 (*Laws of The United States*, 37th Congress, 1st session, Ch. LXIII). *Vide* the Prize Cases, 67 U. S. 635 (1863), for judicial confirmation. It is of note that although Congress by the Suspension of Habeas Corpus Act of March 3, 1863 attempted to confirm the President's Order of April 27, 1861 and his Proclamation of Sept. 24, 1862, suspending the privilege of the writ of habeas corpus, the Supreme Court in *Ex Parte Merryman*, Taney's Rep. 246 (1861), held the suspension of the writ unconstitutional even in the war emergency. *Vide* Warren, Charles C., *The Supreme Court in United States History*, Vol. II, Ch. 28, esp. p. 373, footnote.

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emergency problems is to attempt to give texture of legality by the application to one situation of laws designed for different circumstances. Governor Ritchie for instance proclaimed a bank holiday at the time of the bank crisis by reference to the Maryland statute authorizing the proclamation of business holidays.[6] A more important illustration may be found in President Roosevelt's action during the same crisis when he relied somewhat dubiously on the sections of the 1917 Trading with the Enemy Act[7] which had given President Wilson power in the emergency of war to withdraw gold from circulation and to declare gold hoarding a punishable offense. A few days after the President's action, Congress validated it in the Emergency Banking Act[8] and gave him power personally or through one of his officers to declare the existence of a national emergency. An interesting situation exists in Connecticut where the state constitution provides for regular biennial sessions of the legislature and authorizes additional sessions "for special emergencies" making the Governor sole judge of what constitutes an emergency. The resultant political situation may be pictured, for with the next regular session of the legislature still distant, Governor Cross is now confronted with a plethora of what in the eyes of at least some groups in the state constitute "dire emergencies".[9]

A veritable deluge of declarations of emergency has been embodied in enactments of Congress and state legislatures during the last months, presumably in the hope of swamping the ark of judicial objection to the statutes. That ark has been fortified by the timbers of judicial interpretation of the fifth amendment to the Constitution in regard to acts of Congress and the worn but still seaworthy plank of judicial interpretation of the fourteenth amendment in regard to acts of state legislatures. According to these canons of constitutional law, Congress may not deprive a person of life, liberty or property

[6] Maryland Code 1924, art. 3, sec. 9, quoted Culp, *loc. cit.*, p. 1066.

[7] Act of Oct. 6, 1917.

[8] Act of March 9, 1933—Public No. 1.

[9] *New York Times*, Dec. 28, 1933.

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without due process of law nor take private property for public use without just compensation; nor may any state deprive a person of life, liberty or property without due process of law, impair the obligation of a contract, or deny to any person within its jurisdiction the equal protection of the laws. In the slow process of judicial development, the courts have, through the use of these terms, declared unconstitutional so many enactments of both state legislatures and of Congress that "due process" in many instances has meant lack of due process for those who need it most in an unequal battle; and the equal protection of the laws of the states often has meant the unequal protection of the laws. More acts of state legislatures than acts of Congress have fallen under the judicial sword but to state legislatures and Congress alike that sword, once it has fallen, is raised again and hangs by a hair. To strengthen that hair, the doctrine of emergency powers has developed, by which legislative bodies assume that in troubled times they may extend the exercise of their powers. For instance, in normal times the production of milk is thought to be a private business but in an emergency situation in the production and sale of milk, the legislature may regard the business as affected with a public interest which warrants state control of output and price.

In attempting to avoid the judicial hurdle, Congress and the legislatures have found two others in their path. What is "affected with a public interest" and what is an "emergency"? If an emergency may affect with a public interest businesses not otherwise so affected, the necessity for clear definition of both a "public interest" and an "emergency" is clear. For years the courts wandered in a miasma of doubt as to the definition of the former, but the mist has now begun to lift for on March 5, 1934, the United States Supreme Court boldly stated:

> . . . . the phrase "affected with a public interest" can, in the nature of things, mean no more than that an industry, for adequate reason, is subject to control for the public good. In several of the decisions of this court wherein the expressions

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> "affected with a public interest" and "clothed with a public use" have been brought forward as the criteria of the validity of price control, it has been admitted that they are not susceptible of definition and form an unsatisfactory test of the constitutionality of legislation directed at business practices or prices.[10]

Equal lack of clarity is apparent in legislative definitions of emergency. Legislative bodies see emergencies in a widely varying group of situations of long or short duration, in war and in peace. The war power of the United States is part of a definite constitutional grant and if congressional legislation is reasonably related to the successful prosecution of a war which is in progress so that legislation is necessary and proper for carrying the war power into execution, the legislation is constitutional. There is no "emergency" power in the constitution. However, a connection between war and emergency is realized in the Emergency Banking Act[11] which authorizes the exercise of certain powers "in time of war or . . . any other period of national emergency declared by the President."[12]

Legislative bodies may declare the existence of an emergency of special or general nature, with a time limit stated or left for future determination. In the field of congressional action alone, a variety of definition is implied. Aside from the section of the Emergency Banking Act quoted above, allowing the President power to declare a national emergency, the act in itself declares "that a serious emergency exists and that it is imperatively necessary speedily to put into effect remedies of uniform national application."[13] The same act

[10] Nebbia *v.* New York, 54 Supreme Court Reporter 505 (decided March 5, 1934). For discussion of "affectation with a public interest", *vide* Keezer, D. and May, S., *The Public Control of Business*, Ch. V (1930); Finkelstein, M., "From Munn *v.* Illinois to Tyson *v.* Banton", 27 *Columbia Law Review* 769 (1927); Hamilton, W. H., "Affectation With a Public Interest", 39 *Yale Law Journal* 1089 (1930); McAllister, B. P., "Lord Hale and Business Affected with a Public Interest", 43 *Harvard Law Review* 759 (1929).

[11] *Supra*, p. 270.

[12] Title I, sec. 2.

[13] *Ibid.*, preamble.

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furthermore vests a kind of emergency discretion in the Secretary of the Treasury by allowing him to require payment of gold and gold certificates to the Treasury whenever in his judgment it is necessary to protect the currency.[14] While other banking, mortgage refinancing and emergency relief laws of recent months are based at least in part on the emergency theory, the most important among congressional declarations of emergency are those contained in the Agricultural Adjustment Act[15] and in the National Industrial Recovery Act.[16] The former declares that the present acute economic emergency has affected transactions in agricultural commodities with a national public interest and the act is "to cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended".[17] According to this declaration, the emergency is of indefinite duration, with its termination entirely dependent on executive discretion. The National Industrial Recovery Act, on the other hand, establishes a definite time limit. It declares the existence of "a national emergency productive of widespread unemployment and disorganization of industry, which burdens interstate and foreign commerce, affects the public welfare and undermines the standards of living of the American people".[18] The operation of the act is limited to two years in all its sections, including the planning and research agency which the President may establish; the licensing section is limited to one year because of the drastic power involved; and the whole program may be cut short at any time before the expiration of the time limit by proclamation of the President or by joint resolution of Congress declaring that the emergency has ended.[19] Many state laws place a definite time limit on the emergency instead of leaving its legal termination

[14] *Ibid.*, Title I, Sec. 3.

[15] Public No. 10, 73rd Congress (1933).

[16] Public No. 67, 73rd Congress (1933).

[17] Sec. 13. The Secretary of Agriculture is to make investigations and reports to the President to aid in carrying out this provision.

[18] Title I, Sec. 1.

[19] Title I, Sec. 2, (c); Title II, Sec. 201, (d).

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to executive discretion. For instance, the statute of New York creating the Milk Control Board [20] makes the milk industry of the state "a business affecting the public health and interest until March 31, 1934";[21] and the Minnesota law authorizing extension of period of redemption from mortgage foreclosure [22] is an act to remain in effect only during the continuance of the emergency and in no event beyond May 1, 1935. In fact a tendency is toward the establishment of a definite time limit to the emergency. The provision [23] of the New York law which allowed the state banking board during the existence of a public emergency to suspend any provision of the banking law, was declared unconstitutional by the lower court in part because the act failed to limit definitely the time during which the banking board might exercise its emergency power.[24] However, the court of appeals refused to uphold this point.

Yet even a definite time limit does not clarify what an emergency situation is and recalls the anomalous situation which arose over the New York and Washington, D. C., rent laws. In 1919 New York and Washington, D. C., tried to facilitate housing in the post-war shortage of dwellings by legislation restricting rents in some situations and in certain cases allowing tenants to retain occupancy after the expiration of their leases.[25] These laws were to remain in force for only two years from the date of their passage, unless repealed before that time, and were upheld by the Supreme Court on the

[20] *Laws of New York*, 1933, Ch. 158.

[21] New York *v.* Nebbia, 262 N. Y. 259 (1933). *Vide infra*, p. 279.

[22] *Laws of Minnesota*, 1933, Ch. 339.

[23] *Laws of New York*, 1933, Ch. 41, sec. 2.

[24] Moses and Berney *v.* Guaranteed Mortgage Company of N. Y., 239 App. Div. 703, Jan. 12, 1934. Sec. 5 of the act provided "the period of the emergency herein provided for shall be from the date of the taking effect of this act until such date as the legislature may by joint resolution designate as the termination thereof, or if the legislature be not in session, the date so designated by a proclamation of the governor." Reversed in Matter of People *v.* Title & Mortgage Guarantee Co., 264 N. Y. 69, Memorandum decision, p. 76. *Cf.* also Matter of Application of Van Schaick, 150 Miscel. 467 reversed in *ibid.*, memorandum p. 75.

[25] Act of Oct. 22, 1919, Ch. 80, "District of Columbia Rents"; *Laws of New York*, 1920, Chs. 942-947, 951.

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ground that they were justified by the emergency.[26] In the case of New York, however, the "emergency" laws were prolonged by subsequent legislative enactments[27] for ten years following their passage, and a final attempt was made by the city of New York to prolong them even further in the case of that city,[28] while in the case of Washington Congress attempted[29] to prolong its laws for five years.[30] Thus the New York and Washington emergencies which led to the passage of the laws resisted the tides of stress and "prosperity" and continued unabated and unchanged through housing shortage and oversupply, through good times and bad. The two-year limit therefore proved meaningless.

Both Congress and the state legislatures have therefore avoided definition; they declare emergencies and leave it to the courts to give what meaning they can to the convenient word. The courts have repeatedly stated that a legislative declaration of the existence of an emergency is entitled to great weight but is not preventive of final judicial review and determination. In other words, the court will substitute its own judgment, if it so desires, concerning the

[26] Block *v.* Hirsch, 256 U. S. 135 (1921); Marcus Brown Holding Co. *v.* Feldman, 256 U. S. 170 (1921); Edgar A. Levy Leasing Co., Inc., *v.* Siegel, 258 U. S. 242 (1922); Chastleton Corporation *v.* Sinclair, 264 U. S. 543 (1924). In the Chastleton case, it was held, in passing upon a renewal of the act upheld in the Block case, that the act would cease to operate upon its being shown that the emergency upon which it was based had ceased to exist, and that Congress could not extend the rent laws beyond the actual period of the emergency of which the court was the final judge. *Vide infra*, p. 276.

Cf. Wickersham, G., "The Police Power and the New York Emergency Rent Laws", 69 *University of Pennsylvania Law Review*, 30; Boyd, "Rent Regulation under the Police Power", 19 *Michigan Law Review*, 599; Burdick, "The Constitutionality of the New York Rent Laws", 6 *Cornell Law Quarterly*, 230; Note, 34 *Harvard Law Review*, 426.

[27] *Laws of New York*, 1921, Chs. 199, 371; *ibid.*, 1922, Ch. 663; *ibid.*, 1923, Chs. 278, 874, 892; *ibid.*, 1924, Chs. 513, 514, 621; *ibid.*, 1927, Ch. 593; *ibid.*, 1928, Chs. 553, 827.

[28] *Local Laws of Cities in the State of New York*, City of N. Y. Local Law No. 9, p. 82.

[29] By Act of Aug. 24, 1921, Ch. 91; act of May 22, 1922, Ch. 197.

[30] The final attempt was declared unconstitutional in Chastleton Corporation *v.* Sinclair, 264 U. S. 543 (1924). *Vide supra*, note 26 and *infra*, pp. 276-77.

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degree in which conditions demand the statute passed by the legislative body. Thus the Kansas state supreme court in 1921 agreed with the legislature that there was a sufficient emergency in the state to justify the establishment of a state court of industrial relations, with power, among other things, to fix certain wages.[31] The United States Supreme Court, however, disagreed and thought that "the great temporary public exigencies recognized by all and declared by Congress were very different from that upon which the control under this act is asserted."[32] The Kansas emergency was more local, according to the Court, than such widespread emergencies as the one in the railroad business which had led to the passage of the eight-hour standard day for work and wages on the railroads.[33] The Kansas industrial court was therefore declared unconstitutional in so far as it concerned the regulation of wages.[34] The Washington, D. C., attempt to prolong the housing emergency by Congressional enactment[35] reveals even more clearly the critical attitude of the Court to pronouncements of emergency. In its second statutory prolongation[36] of the emergency, Congress stated: "the emergency described in Title II of the Food Control and District of Columbia Rents Act still exists and continues in the District of Columbia." The Court, however, did not agree that the evidence showed the continuance of the emergency as far as the facts indicated and said: " . . . a court is not at liberty to shut its eyes to an obvious mistake, when the validity of the law depends upon the truth of what is declared, and still more

[31] *Laws of Kansas*, 1920, special session, Ch. 29, upheld in Industrial Court *v.* Charles Wolff Packing Co., 111 Kansas 501 (Supreme Court of Kansas, 1922).

[32] Charles Wolff Packing Co. *v.* Kansas Court of Industrial Relations, 262 U. S. 522 (1923).

[33] 39 Stat. 721, upheld in Wilson *v.* New, 243 U. S. 332 (1917).

[34] Charles Wolff Packing Co. *v.* Court of Industrial Relations of Kansas, 267 U. S. 552 (1925) declared the act unconstitutional as far as hour regulation went.

[35] *Cf. supra*, p. 275 and note.

[36] In the act of May 22, 1922. *Cf. supra*, p. 275.

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obviously so far as this declaration looks to the future it can be no more than prophecy." [37] The court regarded the continued existence of an emergency as an open question, despite the legislative declaration, and deciding that the facts needed to be ascertained, referred the question to the Supreme Court of the District of Columbia.

In Oregon the legislature and the courts disagreed concerning the need for horse racing in an emergency. The 1933 Horse Racing Act [38] of Oregon provided that a certain percentage of the gross receipts of the pari-mutuel betting machines at the race track were to be paid to the counties to cover the cost of administering the old age pension law. The state constitution provides [39] that a referendum may be ordered on any legislative act except such laws as may be necessary for the immediate preservation of the public peace, health or safety, the support of the state government and its existing institutions. The Horse Racing Act accordingly stated [40] that it was "necessary for the immediate preservation of the public peace, health and safety, the support of the state government" and should take effect immediately. The state supreme court, however, did not agree as to the urgency of the need for the income from the betting percentages, refused to endorse the legislative finding of emergency,[41] and insisted on a referendum.

[37] Chastleton Corporation *v.* Sinclair, 264 U. S. 543 (1924). For other cases in which the court states that the declaration by the legislative body, though entitled to at least great respect, is not conclusive on the courts when the facts examined by the court in the record show contrary conditions, *vide* Shoemaker *v.* United States, 147 U. S. 282 (1893); Hairston *v.* Danville & Western Railroad, 208 U. S. 598 (1908); Prentis *v.* Atlantic Coast Line Co., 211 U. S. 210 (1908); Producers' Transportation Co. *v.* Railroad Commission, 251 U. S. 288 (1920); Mugler *v.* Kansas, 623 U. S. 661 (1887); Block *v.* Hirsch, 256 U. S. 135 (1921). *Per contra*, United States *v.* Des Moines Navigation & Railway Co., 142 U. S. 510 (1892); Moeschen *v.* Tenement House Department, 203 U. S. 583 (1906); Jacobson *v.* Mass., 197 U. S. 11 (1921).

[38] *Laws of Oregon*, 1933, Ch. 55.

[39] 7th amendment.

[40] Sec. 12.

[41] State *ex rel.* Burt *v.* Hutchinson, 21 P. (2d) 514 (1933). The dissent of Holcomb, J., discusses other cases of "emergency" which had been upheld by the court although almost as far-fetched as the one at issue.

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In imposing their own views concerning emergencies the courts have clung with fair tenacity to at least a few points. Ever since the Civil War, they have held that

> the constitution of the United States is a law for rulers equally in war and peace and covers with the shield of its protection all classes of men, at all times and under all circumstances. No doctrine involving more pernicious consequences was ever invented by the wit of man than that any of its provisions can be suspended during any of the great exigencies of government . . . . the government within the Constitution has all the powers granted to it which are necessary to preserve its existence.[42]

This doctrine was amplified during the World War in the decision upholding the validity of the eight-hour act on the railroads.[43] In that case it was stated: "Although an emergency may not call into life a power which has never lived, nevertheless emergency may afford a reason for the exertion of a living power already enjoyed." In the more recent case[44] involving the constitutionality of the Minnesota mortgage moratorium law, the Supreme Court spoke in similar terms.

The Minnesota case is of considerable importance in any discussion of the meaning of emergency. By a law of the state of Minnesota[45] during the period of emergency declared to exist until May 1, 1935 at the latest, the time for redemption of mortgaged property sold under foreclosure may be extended. The United States Supreme Court, by a five to four vote, upheld the constitutionality of the Minnesota act primarily on grounds of emergency caused by the depression. Ordinarily, the Court is somewhat strict in its construction of the constitutional prohibition against impairment of the obligation of a contract, but it flexes under the pressure of the emergency and once more reverts to the thesis of the Milligan case that "emergency does not create power, nor increase granted power

[42] *Ex parte* Milligan, 4 Wall. 2 (1866).

[43] Wilson *v.* New, 243 U. S. 332 (1917), upholding 39 Stat. 721. *Vide supra*, p. 276.

[44] Home Building & Loan Assn. *v.* Blaisdell, 54 Sup. Ct. Rep. 231 (1934).

[45] *Laws of Minnesota*, 1933, Ch. 339.

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or remove or diminish the restrictions imposed upon power granted or reserved", but it may "furnish the occasion for the exercise of power." The legally precise reasoning of the dissent written by Judge Sutherland indicates that this explanation sheds little light, for something must always furnish the occasion for laws and "emergency" becomes merely one more such cause. The attempt to distinguish between calling forth latent powers and endowing with new powers merely beclouds the issue with words.[46]

While the Minnesota mortgage decision was based on the doctrine of emergency, that involving the constitutionality of the New York Milk Control Board[47] and its regulations was based rather on the general doctrine of the police power, although both laws involved legislative declarations of emergency of limited duration and both involved the property rights of individuals. The reason for the difference probably lies in the nature of the constitutional question before the Court. In the Minnesota case, the law in question, by extending the period for redemption of property sold under foreclosure during the period of the declared emergency, involved the impairment of the obligations of a contract; in the New York case, the law in question, by establishing the Milk Control Board, with power, among others, to fix prices for the sale of milk, involved the possible deprivation of property without due process of law. The constitutional prohibition against impairment of the obligations of a contract is more definite than the prohibition against deprivation of property without due process of law for the reason that the obligations of a contract are legally more definite than due process. So the court possibly thought it needed to summon all possible authority for upholding legislative impairment of contractual obligations and resorted to the dubious emergency doctrine.

[46] For instance, Representative James M. Beck in commenting on the Minnesota mortgage case in the *New York Times* of January 10, 1934 stated: "if the theory that an emergency suspends the Constitution once receives the clear sanction of our highest court, then the end of constitutional government in the United States is measurably in sight."

[47] Nebbia *v.* New York, 54 Supreme Court Reporter 505 (1934). *Vide supra*, p. 272.

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Some of the lower courts have been less punctilious than the Supreme Court in insisting that emergency neither grants new powers nor increases existing ones, as is shown in a case brought by a Texas oil company in the District of Columbia Supreme Court to restrain the Secretary of the Interior from enforcing certain regulations promulgated under that section [48] of the National Industrial Recovery Act which authorizes the President to stop interstate traffic in "hot oil", that is, oil produced or withdrawn from storage in violation of state laws or regulations. The court refused [49] to interfere on the ground that the national emergency justified the grant and exercise of extreme powers and stated that for the public benefit in such a situation, "necessity confers many rights and privileges which otherwise would not exist." The lower courts also in the Economy Dairy Company and Beck cases [50] and the Calistan Packers' Company case [51] upheld the blanket declaration of emergency without definite time limit in regard to agriculture.

The courts have attempted to distinguish degrees of severity of emergency. Thus the United States Supreme Court in the case already discussed [52] involving the Kansas court of industrial relations, tried to distinguish between emergencies of varying degree, such as the "nation-wide emergency" involved at the time of the passage of the railroad eight-hour law which had been upheld as constitutional [53] and the local Kansas situation which led to the establishment of the industrial court by the law of Kansas which the Court declared unconstitutional. Recently the state of Washington resorted to a legislative declaration of pressing emergency to legitimatize borrowing for relief purposes above the constitutional debt

[48] Title I, Sec. 9 (c).

[49] Southern Petroleum Co. *v.* Ickes, 41 Wash. Law Rep. 633.

[50] Economy Dairy Co. *v.* Wallace, Equity No. 56058, Sup. Ct. D. C. (1933). Beck *v.* Wallace, Equity No. 56059, Sup. Ct. D. C. (1933). Both in 41 Wash. Law Rep. 633.

[51] United States *v.* Calistan Packers, U. S. Law Week Oct. 10, 1933 at 5 (N. D. Cal.) (1933).

[52] *Supra*, p. 276.

[53] *Supra*, p. 278.

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limitation of the state. A state bond act[54] authorized the issuance of state bonds for unemployment relief to the amount of $10,000,000, although the state constitution allows the state to contract debts above the constitutional limit only to repel invasion, suppress insurrection or defend the state in war; the money so raised may be applied only to those purposes. In the preamble to the act it is stated that "discontent, social unrest and incipient insurrection exist. Acts of insurrection are occurring. A critical emergency calling for constructive action is presented. It is imperative that the existing unemployment and distress be in some measure allayed. . . . This obligation is upon the state." The state supreme court in upholding the statute as constitutional[55] referred to the pressing nature of the emergency as shown by the fact that the governor had been compelled to call out the militia, and succinctly stated that "it is far better to cure insurrection or incipient insurrection by promoting prosperity rather than by the use of bullets." The emergency of insurrection is obviously only a constituent part of the picture of long-range economic emergency.

The courts have in general contented themselves with discussion of a given emergency in general terms and have made no thorough effort to distinguish between different types of exigency. This evasiveness is possibly due to their realization that the doctrine is of necessity vague and amorphous. So vague is it that in upholding the constitutionality of a law they often accompany the emergency principle with others. For instance in the legislative finding embodied in the emergency act[56] establishing the New York State Milk Control Board and in the opinion of the state court of appeals in the case arising under it, the reasoning shifted back and forth from "emergency" to "public welfare" as supported by police power. The legislative finding stated the existence of an acute economic emergency and added the important statement that—

[54] *Laws of Washington*, 1933, Ch. 65.

[55] State *ex rel.* Hamilton *v.* Martin, 23 P. (2d) 1 (1933). *Cf.* note 1, p. 268.

[56] *Supra*, p. 274.

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> this article is enacted in the exercise of the police power of the state, and its purposes generally are to protect the public health and public welfare. . . . That in order to protect the well-being of our citizens and promote the public welfare, and in order to preserve the strength and vigor of the race, the production . . . and sale of milk . . . is hereby declared to be a business affecting the public health and interest.

So on the face of the act, economic emergency and general welfare are combined. It is small wonder that the court of appeals continued the same trend of argument. Granting that the police power is the least limitable of all the powers of government, the court argued that "legislative authority to abridge property rights and freedom of contract can be justified only by exceptional circumstances and even then by reasonable regulation only", but that the law was valid in that it "creates no monopoly; does not restrict production; was adopted to meet an emergency; milk is a greater family necessity than ice".[57] The United States Supreme Court, however, changed the line of argument and did not dwell on the emergency or exceptional circumstances but stated that "so far as the requirement of due process is concerned and in the absence of other constitutional restriction, a state is free to adopt whatever economic policy may reasonably be deemed to promote public welfare, and to enforce that policy by legislation adopted to its purpose. The courts are without authority either to declare such policy, or, when it is declared by the legislative arm, to override it."[58] In the words "in the absence of other constitutional restrictions" lies the difference between this case and that of the Minnesota mortgage case. The majority opinion in both cases dwelt on the changing and flexible character of the Constitution which is capable of adaptation to the changing needs of successive generations. Yet only in the Nebbia case did the court strike out boldly into a new path without leaning heavily as before on the emergency doctrine.

[57] New York *v.* Nebbia, 262 N. Y. 259 (1933).

[58] Nebbia *v.* New York, 54 Supreme Court Reporter 505 (1933).

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The opinion in this case may be but a harbinger of more definite emphasis on the power of the government to deal with whatever economic situation exists. The United States Supreme Court may be coming to realize that the concept of emergency is but a sugar-coating to induce the acceptance by the judiciary of otherwise unpalatable pills of state legislative or congressional enactment in regard to economic matters, and that it has no greater therapeutic value today than during and immediately after the Civil War. Its inherent lack of definiteness or any attainable standard of evaluation, its confusion with other issues, its possibility of prolongation until its justification has passed, have all been shown in the past. The Nebbia case reveals that a liberal court needs no amorphous emergency doctrine as a basis for its approval of experimentation in economic control by government. In the last analysis, reliance upon emergency means reliance upon an interpretation by the courts of contemporary conditions. The decisions the courts make are political and economic in nature and there is no refuge in mere phrases.

If we are entering upon an era of social and economic planning, legislation upheld on emergency grounds with the corollary that it would be unconstitutional in "normal" times can only shackle real adjustments of the social framework to new economic situations and conditions. It is better openly to make such adjustment without any doctrine of emergency. If judges will remember that "constitutional provisions do not change but their operation extends to new matters as the modes of business and the habits of life of the people vary with each succeeding generation",[59] there is no need for any emergency doctrine. The Constitution and the police power provide ample scope for the allowance of reasonable experimentation not only to meet the needs of the present depression but to prevent the ever-recurring cataclysmic disturbances to which our economic system has been periodically subject.

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[59] *In re* Debs, 158 U. S. 564 (1895).

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REVIEWS

The Hour of Decision. Part I: *Germany and World-Historical Evolution.* By OSWALD SPENGLER. Translated by Charles Francis Atkinson. New York, Alfred A. Knopf, 1934. — xvi, 230, xiii pp. $2.50.

Before the World War many of us read a sensational book in which a learned and eloquent German army officer, General von Bernhardi, insisted that the hour had come when his country must choose between "world-dominion" and "downfall". The general himself elected "world-dominion", and went on to show, by a most curious exposition of the materialism of Britain, the decadence of France, the barbarism of Russia, and the childishness of America, how easy—as well as how necessary—it would be for Germany to exercise the Nietzschean will-to-power and realize her Faustian destiny.

Then came the World War, not wholly because Bernhardi wanted it, and not strictly in accordance with his predictions. Indeed, it seemed as if the outcome of the World War, for Germany at least, was not "world-dominion" so much as "downfall". And soon after the war, another learned and eloquent German, Oswald Spengler, whom philosophers praised as a historian and whom historians thought of as a philosopher, accepted "downfall" as a fact and explained it, in pretentious tomes, as an agonizing phase of a "decline of the West" which in turn was but the latest manifestation of a century-old alternation in the rise and fall of civilizations.

In the present volume, Spengler has resumed where Bernhardi left off. It appears that the World War didn't settle anything. The same old choice is still before us (or at any rate before Germany)—world-dominion or downfall; and still before us, as the title of the volume indicates, is "the hour of decision". "Downfall" still ominously threatens—and from two most terrifying quarters: (1) "labor-socialism", which is the logical development of rationalism, democracy and liberalism, of a materialism that is too romantic and of a romanticism that is too materialist (and feminine), and which is especially menacing right now in Britain and America; and (2)

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"colored peoples", including Negroes and Chinese and Frenchmen and Poles and all manner of breeds among whom noble Nordic blood and ideals are diluted or non-existent.

But will-to-power and "world-dominion" can still stave off impending ruin, and Germany is still the chosen vessel of the will-to-power, still the preëminent white hope for world-dominion, "the return of the Caesars". Germany has two great assets: Nordic blood and Prussianism; and if only she will courageously utilize both, she can properly fulfill her Faustian destiny and save civilization. Russia can be ignored; she has ceased to be a "state", has again turned Asiatic and Tartar, and now consists merely "of a ruling horde, called the Communist Party, with its chieftains and almighty Khan and a downtrodden, defenceless mass of people some hundred times as large." Japan, poisoned by democracy and Marxism, is losing her pride and courage at the very time when she should be fighting the "Red Revolution" in China. The Chinese, and the population of India too, are "old Fellaheen peoples" who "can never again play an independent part in the world of the great powers." America has no future: she is just like Russia, not a "nation", not a "state", not Nordic, and also she is about to undergo a Communist revolution. England is thoroughly decadent, and the Latin countries "have no more than a provincial significance." Besides, Britain and the United States will very soon engage in a life-and-death struggle with each other, and so likewise will Japan and Russia. Ergo, "the hour of decision" is clearly Germany's. The World War of 1914 was but the harbinger of a long and splendid spring-season of world wars. The Caesars are coming, and they are coming from Germany. "High policy, *the art of the possible*, will again enter upon its eternal heritage free from all systems and theories, itself the judge of the facts by which it rules, and gripping the world between its knees like a good horseman."

The significance of Spengler is hardly in the field of exact political or social "science", and his amazing excursions into "history" are made on hobby-horses rather than by the pedestrianism of scholarship. With laymen his constant brilliant show of erudition may perhaps pass for real knowledge, and to many readers his dogmatism and his staccato style—frequently becoming apoplectic—are alluring if not always convincing. The scholar who goes behind the show and the rhetoric, however, will perceive the simplicity, the downright naïveté, in Spengler's performance. His *Weltanschauung*, his prejudices and predilections, are those of a Prussian Junker or Prus-

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sian general, like Bernhardi, overspread with shadows of Nietzsche; and his "historical method" is to seek (and to assert when he does not find) justification for believing that "history repeats itself", that just as the "Hellenistic world of states, of which Rome and Carthage [!] were two", was transformed into the *Imperium Romanum*, so the eighteenth-century world of states must pass, in precisely two "terrible" centuries, into an *Imperium mundi*, and that what Rome was to the ancient world, Prussia simply must be to the modern world. Why should there be any doubt about it? Spengler buttresses his argument with frequent citation of sources—and the sources to which he usually refers are his own earlier works, either *The Decline of the West* or the *Political Writings*. If history does repeat itself, the title which was conferred upon James I of England over three hundred years ago might be deemed appropriate in our own age to Spengler: "the most learned fool in Christendom".

Spengler's "history" should not be taken too seriously, and his survey of contemporary world-politics is obviously characterized less by informed insight than by wishful thinking. Yet Spengler is an outstanding symbol and a fearful portent of our age—a symbol of widespread and deep-seated reaction against almost all of those political, social and intellectual ideals which the eighteenth and nineteenth centuries cherished, and a portent of bigger and bloodier wars yet to come. However influential Bernhardi may or may not have been before the World War, there can be no doubt of the very great influence of Spengler in post-war Germany. He has already helped a kind of Caesar (though admittedly a plebeian kind) to surmount "labor socialism" and non-Nordicism. He is now encouraging Caesar to have it out with the whole modern world.

CARLTON J. H. HAYES

The Idea of National Interest: An Analytical Study in American Foreign Policy. By CHARLES A. BEARD, with the collaboration of G. H. E. SMITH. New York, The Macmillan Company, 1934.—ix, 583 pp. $3.75.

The indefatigable dean of American historians brings us in this densely packed volume ("granitic", John Chamberlain calls it) the first fruits of a project undertaken in the spring of 1932, under the auspices of the Social Science Research Council, financed by the Carnegie Corporation — the project, namely, of investigating the meaning of the common phrase "national interest" as illustrated in

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the policies of our government since the days of Washington, and of attempting, on the basis of these historical facts, to formulate "a consistent and tenable philosophy of national interest." The present volume, prepared with the help of certain experts at Washington whose services are acknowledged in the preface, and with the more continuous collaboration of Mr. Smith, whose name appears on the titlepage, is not strictly speaking the "first fruits" of the investigation. For in November 1933 the authors took advantage of the timely moment to publish, under the title of *The Future Comes*, a small volume embodying the results of their study of President Roosevelt's conception of national interest as illustrated in the measures of the New Deal.

"National interest", says Mr. Beard, has come quite generally to supplant the phrase "national honor" as the slogan directing our diplomatic policy; but the historical instances of that policy, here presented in an almost bewildering abundance, yield no consistent and clear-cut principles of action, but rather a welter of uncoördinated and often conflicting enterprises, undertaken not only by the official directors of our foreign policy in the White House and the State Department, but also by multiplying agencies in the departments of War, Navy, Agriculture, Commerce, and even by non-governmental bodies like chambers of commerce, manufacturers' associations, labor unions and the like. How Mr. Beard will succeed in the difficult task of reducing from this welter a "consistent and tenable philosophy of national interest" is a question that challenges the curiosity of every student of American foreign policy. Until the second volume appears (for which the present one is but the curtain-raiser), all that we can say is that no American political scientist is better equipped than Mr. Beard to furnish the blueprints for the new conception, which, as he remarks in the closing sentence of his book, "is awaiting formulation at the hands of a statesman as competent and powerful as Hamilton or Jefferson."

These two names suggest the contrasting molds in which the conception of national interest was originally cast. The Jeffersonian ideal shaped national interest to conform to the needs and to encourage the perpetuation of an agricultural society. Commerce, being only facilitated barter, should enjoy cheap carriage. Tariffs should be confined strictly to revenue needs, neither subsidizing industry at the expense of agriculture nor restricting the free and natural course of trade. The military and naval arm of the government should not be employed to encourage or extend foreign

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markets ("economic imperialism"). The diplomatic establishment should be so curtailed as to make it plain that we were to avoid any "entangling alliances" with European politics. Hamilton's conception of our national interest and destiny countered Jefferson's at every point. Instead of a people of farmers and small artisans, owing a democratic allegiance to near and easily controlled authorities, Hamilton wanted a nation of diversified economic life, controlled by a central government strong in the support of the moneyed class which it enlisted by such favors as a protective tariff for manufactures, the opportunity to buy the interest-bearing bonds representing the funded national debt, and the "gilt-edge" shares of the Bank of the United States. He would have abolished local autonomy and reduced the states to administrative shires or prefectures of the national government in a "unitary" republic—if he could not have a monarchy on the English model. Neither of these molds left its clear and total impress upon our policy. Agrarian particularism was too strong for Hamilton to overcome: industrial and financial concentration was too inevitable a result of increasing wealth for Jefferson to resist. But the two opposing concepts remained, as Mr. Beard says, adopting a phrase of the new metaphysical mathematics, to serve as "frames of reference" for the formulation of policies and the determination of action "by the respective political parties that divided the country after the administration of President Washington."

Having traced the emergence of the idea of national interest from the dynastic interest or interest of state which shaped the policies of the consolidating national states of Europe, and having discussed briefly the ideas of national interest which found expression in the Constitution of the United States, Mr. Beard comes to grips with his subject in three chapters devoted to a keen analysis of the idea of national interest discoverable in our territorial and commercial expansion from the earliest days of the republic to the present. This he follows by a chapter on "Illustrations of National Interest in Action", selecting as his examples our diplomacy in Nicaragua from 1909 to 1912 and in China from 1914 to 1921. At first blush, these examples might seem to be arbitrarily chosen; but as one turns the pages one realizes how skilfully the author demonstrates the operation of combined commercial, political, financial and diplomatic factors in these incidents of our foreign policy. The two statistical chapters (*vii*, *viii*) on "The American Stake Abroad" are the special contribution of Mr. Smith to the volume. The conclu-

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sions drawn from the vast array of figures presented are: (1) that our abandonment of the policy of isolation and a small navy, in favor of "imperial adventures, a large navy, and a vigorous trade promotion" has not been followed by a proportionate increase in American exports; (2) that the trend has been toward a decline in trade with Europe, an increase in trade with Canada and Asia, and a relative continuity in trade with South America; (3) that the exports of manufactured goods have gained predominance over those of agricultural products; and (4) that the remarkable advance in technology has tended to maintain the ratio between production and export by the increasing export of machines, methods and services connected with mass production. "Our stake abroad", says Mr. Beard, "is the material basis on which the idea of national interest in commercial promotion is presumed to rest", and "to safeguard this stake, to strengthen and increase it, the whole weight of government activities has been brought into play, on the hypothesis, and no doubt the conscientious belief, that the national interest is thereby advanced" (p. 310).

Whether or not such belief is justified in Mr. Beard's opinion, we shall doubtless learn from his next volume. The remainder of the present volume adheres faithfully to his analytic purpose of presenting "the relevant facts in the case". In one of the most suggestive chapters (ix) the author shows how relevant to American foreign policy are certain questions which we have been accustomed to regard and defend (see the reservations insisted upon in the debates on the League Covenant) as matters of purely domestic concern: the tariff, national defense, immigration, the development of a merchant marine. He illustrates by examples from Washington to Wilson the rôle which moral obligation has played in shaping our foreign policy (chapter x). He analyzes the varying interpretations of the relation of our national interest to international policies furnished by private business enterprise as well as by public agencies of government. And in a final chapter (xi), clearing the way, as it were, for his constructive synthesis in the next volume, he shows how the doctrine of national interest, which had been assiduously fostered by the investment bankers especially, was rudely challenged by the débâcle of 1929 and thereupon submitted to the official inquiry which had not been deemed necessary during the years of apparent prosperity.

The progressive dislocation of the domestic and foreign economic structure, marked by a creeping industrial paralysis, rapidly mount-

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ing unemployment, agrarian desperation, banks failing by the thousands, goods piled up for which there were no purchasers at home or abroad, brought us at the close of the Hoover administration to a crisis which demanded immediate measures of relief and reorganization, to release the energies of our great productive plant and redirect them toward a goal of distribution which should enable tens of millions instead of a few ten thousands of our people to participate in their blessings.

The promptness and courage with which President Roosevelt met the crisis in the first weeks of his administration are recognized by Mr. Beard; but admiration for the President's initiative cannot obscure the fact that the measures of the New Deal consist almost entirely of emergency legislation and executive orders based thereon, designed to relieve the immediate distress of the farmers, the industrial laborers, the unemployed, the mortgage-laden home-owners and the anxious bank depositors. The President's efforts have been directed toward problems of rescue, not to the philosophical question of revising or reconstructing the fundamental conceptions of national interest. Domestic policies of far-reaching importance have been inaugurated, but there has been "no corresponding adjustment made in our foreign policies inherited from the past". In other words, the manifold bearings of the measures of the New Deal upon the international diplomatic, commercial and military problems which Mr. Beard has discussed in this volume have not yet been made the subject of careful study. For that study we shall eagerly await Mr. Beard's forthcoming volume.

DAVID S. MUZZEY

The Economics of Recovery. By LEONARD P. AYRES. New York, The Macmillan Company, 1933.—vi, 189 pp. $1.75.

For the last dozen years economists and the business public generally have looked to Colonel Leonard Ayres for intelligent and illuminating comment on the state of business. His monthly critiques appearing in a publication of the Cleveland Trust Company have contained well-informed discussions of contemporary business developments. During the golden age of post-war expansion and during the darker days which followed he has been one of the sanest and most penetrating commentators on those rather perplexing phenomena called "business conditions".

The present volume contains Colonel Ayres' considered views on

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the current depression and on the way out of it. The nature of these views may be most readily indicated by summarizing Colonel Ayres' opinions as to the requisites for recovery. Three of these are postulated. The cardinal principle is to be found in the expansion of all private enterprise and in a corresponding check to the expenditure of public funds. As corollaries to this major principle, Colonel Ayres stipulates that the way be cleared for the reëstablishment of a market for the private investment of funds, and that private enterprise be permitted to operate at a profit. The second fundamental condition is the reëstablishment of sound money. The extension of long-term credits, which is conceived to be essential to the restoration of activity in the basic industries devoted to the production of durable goods, is considered incompatible with the anticipation or the actuality of progressive inflation. The third requisite for recovery, of real though of subordinate importance, is that a way be found for reducing excessive burdens of debts, whether owed by individuals, corporations, states, counties or municipalities.

The limits of the present review preclude a detailed summary of the causes of the depression, as these have been formulated by Colonel Ayres. The nature of his account is suggested by the preceding statement of the requisites for recovery. This depression, in the opinion of the author, may be expected to run its course within the framework of the preëxisting economic system. In the main, the causal factors are those which have operated after other great wars, and recovery may be anticipated as a result of processes similar to those persisting after other great depressions.

Colonel Ayres stands, then, among the more conservative of contemporary writers on the economic situation. He regards this depression as consisting, essentially, of a great series of major maladjustments between production, demand and the flow of credit, complicated by difficulties caused by the burden of existing debts. It is not primarily a monetary phenomenon, nor does it signalize the downfall of private capitalism as the basis of our social system. He does not believe that we have come to a sharp turn in the path of economic development.

Only in retrospect, some years hence, shall we be able to decide whether the present depression marks merely a temporary halt in a fairly uniform progression, or whether it marks a definite turn in the direction of march. To the detached observer, if there be such at present, this is perhaps the major problem which a study of contemporary conditions presents. Are the changes which have dom-

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inated the recent past phases of a familiar cycle of events, or do they represent non-recurring modifications in the structure of our economic life? Every business cycle contains, of course, novel and unique elements along with those which are repetitive, in the sense that they trace anew patterns followed by previous cycles. In certain cycles the repetitive or recurring elements bulk large; the patterns of economic change which have prevailed in earlier cycles are closely approximated. In other cycles unique elements dominate. When this is so, prediction, even interpretation, is difficult, for the patterns of past behavior do not prevail. In the final crisis, the *Götterdämmerung* of capitalistic enterprise, the familar pattern of depression and of recovery would be completely shattered. The issue, then, centers about the relative importance of recurring phenomena, of types experienced in other post-war depressions, and of fundamental structural changes.

The book under review presents a strong case for the less radical interpretation of the present crisis. The parallelism which Colonel Ayres finds between the present circumstances and past experience is not a parallelism between the current cycle and those minor or major cycles which have run their courses in the past half-century. If we seek in the records of 1904-08, 1919-21 or 1924-27 that reassurance which recognition of familiarity brings we shall be disappointed. The only two real counterparts of the present depression which our history affords are found in those secondary post-war depressions which followed the War of 1812 and the Civil War. In the depressions of 1826-30 and of 1873-79 were traced the sequences which most closely resemble those of the current depression. Those contemporary changes which appear unique, which look like profound modifications of our basic organization, have their analogues, according to Colonel Ayres, in the records of these earlier post-war depressions.

This is a thesis which may not be lightly dismissed. In the gloom of critical times it is easy to believe that unprecedented events are occurring, and that a world is being made over. That there are new elements in the present situation is not to be doubted, for fifty years of rapid industrial advance have brought fundamental changes in the major factors of economic life. But continuity and novelty have found means of coexistence before. It is essentially as an advocate of the principle of continuity in economic development that Colonel Ayres presents this book. It may well be that the immediate future will hold more of novelty than is indicated by his exposition. The

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problems of 1935 will not be those of 1820, nor of 1870, nor yet of 1910. But it is highly probable, nevertheless, that the continuity of economic development, a continuity which on many occasions has survived profound political convulsions, will persist. If so, the type of analysis Colonel Ayres presents will continue to illuminate the processes of economic life in that future which lies beyond the current depression.

FREDERICK C. MILLS

Peace by Revolution: An Interpretation of Mexico. By FRANK TANNENBAUM. New York, Columbia University Press, 1933.—317 pp. $3.50.

Indicting the period of Spanish rule as one virtually without benefit to the aboriginal inhabitants and attributing to them substantially no evil qualities, except those communicated by Spaniards, the author devotes most of his volume to describing and evaluating the changes that occurred between 1910 and 1926. These he regards as having served in a measure to liquidate the results of the superimposition four hundred odd years ago of an alien domination. Product of extensive travel and investigation, the work evinces a sympathy for the downtrodden and an honesty of conviction that their lot during the decade and a half in question did undergo improvement.

Because Mr. Tannenbaum interprets, rather than narrates, the history of Mexico prior to 1910, he assumes on the reader's part an antecedent knowledge far from common. Where that knowledge exists it finds occasion to challenge many of the statements. Unfamiliarity with the subject, on the other hand, encounters difficulty in following a presentation that shifts backward and forward in time, while leaving Spanish terms and the precise reasons for their employment unexplained.

Only when personages and events of the period 1910-1926 are treated do prepossessions and presuppositions recede before a picture of the roseate glow of hope for a happier future. Even here one is left doubting whether, apart from educational matters, the portrayal presages at all fully the subsequent trends toward what now prevails in Mexico. So intent, moreover, is Mr. Tannenbaum upon depicting the phenomena in a local environment that he vouchsafes scant heed to forces from without that affected men and mentality within the country.

Surely the ideas and institutions implanted by Spaniards, Amer-

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icans and other folk of European stock have not operated in a manner to produce a reversion to the conditions of Aztec times or even to justify altogether a belief that the numerical superiority of the Indian element in the Mexican population will bring forth anew pristine virtues to offset the misfortunes caused by alien penetration. In some respects it would appear that the present régime has reverted instead to Spanish methods. The real problem to solve, therefore, is whether a process of Indianization which eliminates the Spaniard as an ethnic factor will conduce in the long run to removal of the ills from which Mexico has suffered. Quite possibly some genuine advantages have attended infusion of the European into the aborigines and will remain. Otherwise peace by revolution might not have had so compelling a motive or so consistent a goal. Be that as it may, Mr. Tannenbaum has written a work of genuine merit, wherein earnestness, sincerity and excellence of style are marks of distinction.

WILLIAM R. SHEPHERD

The Monroe Doctrine 1826–1867. By DEXTER PERKINS. Baltimore, The Johns Hopkins Press, 1933.—xi, 580 pp. $3.50.

This excellent monograph is the second volume of Professor Perkins' projected four-volume history of "the great American shibboleth." The treatment is critical and exhaustive. Archives in five countries and materials in four languages, as the footnotes and bibliography abundantly attest, have been laid under contribution. The author does not, however, permit himself to be overwhelmed with detail, and he leavens his carefully chosen facts with interpretation and analysis of an unusually penetrating nature. This method of treatment, together with a style that is always clear and sometimes sparkling, makes thoroughly readable a narrative that could easily be made insufferably dull. Unlike much diplomatic history, this study has more than one dimension. Professor Perkins is keenly aware that the world of diplomacy cannot be a thing apart from the world of economics and politics. He has also learned that to write of foreign affairs under a popular government without some attention to the workings of the public mind upon that government is to present only one side of the shield. In recognition of this fact, and realizing that he is presenting the history of an idea or a catchword as much as diplomatic history, the author has turned to contemporary newspapers and periodicals to discover what the people

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were thinking. The only fundamental criticism that the reviewer has to offer is that Professor Perkins, having set out to plumb public opinion, has not been content with quite the same high standard of thoroughness as is evident in his study of the documents.

The main lines of the story may be compressed into a few words: Monroe enunciated the doctrine; Polk resurrected it; and Seward vindicated it. Before Polk entered the lists in 1845 there was no Monroe Doctrine; there was only a yellowing annual message of 1823. The principles of Monroe were little known at home, and ignored in Europe. With indifference we repeatedly watched Great Britain and France encroach upon the Americas, and although the Latin American republics urged us time and again to invoke our own doctrine we consistently turned a deaf ear. The Monroe Doctrine seemed destined for the limbo of forgotten things.

Then, in 1845, Polk smashingly reaffirmed the principles of 1823. This, says Professor Perkins, was the most important event in the entire history of the doctrine. The Democratic following of Polk applauded, and henceforth until the Civil War the shibboleth was accepted by a great party, although not by the entire nation. Europe, however, was not impressed, although it did express sufficient annoyance to indicate that it was becoming aware of the doctrine's existence.

Then came Maximilian's ill-starred Mexican venture—a perfect violation of the Monroe Doctrine and its most serious challenge. To this fascinating story Professor Perkins devotes nearly half of his book, and in this portion appear his most original contributions. He demolishes the old idea that the French were forced to withdraw from Mexico because of diplomatic complications in Europe. He believes that Maximilian's tottering throne would in time have collapsed without outside intervention; nevertheless, he demonstrates rather convincingly that the part played by the Monroe Doctrine in easing the French out of Mexico has been underestimated. As a result of the Maximilian fiasco, then, the doctrine came of age. It lost its partisan character and became a truly national shibboleth, unquestioningly accepted by the American people, and what was more, widely known and thoroughly respected abroad.

Several things stand out in this period. France is a more frequent, serious and offensive violator of the principles of 1823 than Great Britain. The United States is erratic and inconsistent in invoking the sacred formula, more inclined to move when self-interest is immediately involved; otherwise to avert her gaze. There is no blind

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and unreasoning devotion to a shibboleth and, in general, little evidence of a desire to wring from the doctrine the grotesque interpretations that came later. Indeed, in those days one could even denounce Monroe's principles without being condemned as unpatriotic or un-American. It is refreshing to hear such an intelligent first-hand witness of the events of 1823 as John C. Calhoun declare on the floor of Congress, during the debate of 1848, that on the grounds of historical evolution and common sense we should consider each alleged violation of the doctrine on its merits, and not, inferentially, excite ourselves unduly over a few square miles of mosquito-infested jungle far removed from our doors. This, also, is Professor Perkins' view, and, heresy though it be, we find it difficult to quarrel with so logical a conclusion.

THOMAS A. BAILEY

STANFORD UNIVERSITY

Les Nations contre la paix. By JACQUES LAMBERT. Paris, Librairie Félix Alcan, 1933.—241 pp. 15 francs.

That indefatigable champion of peace, Édouard Herriot, lately ambassador-at large of France on good-will missions, has created what is believed to be the first chair for the teaching of peace at the law faculty of University of Lyon. The first incumbent of the chair is the author of this book, which contains, according to the publisher's announcement, a résumé of his course.

Professor Lambert's thesis is tersely expressed in the book's title: The nations of the world, tenaciously clinging to every vestige of their sovereignty, prevent the organization of an international community, a superstate, which alone could insure peace. The author's pivotal thought is that there can be no peace without law; there is no law without sanction. This is the premise on which he builds —a premise which is carried through the whole book, reiterated at every stage of the development of the theme, and which Professor Lambert seeks to prove with such ingenious and logical perseverance that it is almost convincing.

There are four main chapters. In the first chapter the author puts the problem of organization of peace. This, according to him, comes down to the substitution of justice according to law for violence. The substitution must be accomplished in relations between states the same way as it has been accomplished, first, between members of a family or tribe, and, later, between members of a nation. In each

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instance, the independence of individuals or of the small unit had to be renounced in favor of a larger group. In the same way, national sovereignty must be sacrificed in the interest of a super-government. That this can be done is shown by the example of the United States, where community interest prevailed over the desire to maintain intact the recently acquired sovereignty of the thirteen colonies.

But is there such a community interest among nations? The answer to this question is given in the second part. Although feeble, a consciousness of an international community has been created, according to the author, by increasing and manifold contacts between individuals. Giving evidence of a sense of political realism, he points out cautiously that these communities are more regional than international. Private attempts toward the organization of such a community may be seen in international cartels, which may be regarded as steps toward an industrial federalism. But these are mainly restricted to the European continent. Here, as at other places, the author seems to be inclined to favor a European federation as more feasible presently than a world state. He does not fail to call attention to the dangers inherent in leaving the political organization of a community to private economic groups which are not always competent to take care of political affairs and may conceivably disregard public interest. Again, Professor Lambert gives evidence of his realism when in this connection he points out that "any formula tending to separate politics from economics is a dangerous abstraction" (p. 102). He makes the interesting suggestion that an organization modeled on our Federal Trade Commission might temporarily satisfy the needs of a European federation in the economic sphere (pp. 104-105).

Existing international organizations are discussed in the third part, while the last chapter is devoted to a consideration of the questions of arbitration, disarmament and security, through which instrumentalities the elimination of war is sought.

To read this book is in many ways a pleasant task. Professor Lambert offers nothing startlingly new; but he writes with that delightful ease of which only Frenchmen are capable. As a whole, it is a well-balanced, and with some exceptions to be noted hereafter, temperate analysis of the problem of peace. The author has not confined himself to a discussion of the League or the World Court as cures-for-all-evils but has considered the organization of peace in its broad aspect. He has a sense of proportion, illustrated by putting the International Labour Office at the head of the chapter dealing

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with international organization. He has a sense of reality, shown for instance by his frank recognition of the difficulties which stand in the way of the much-sought-for but at present unattainable universality of the League, and also by his criticism of the French thesis of security and the French conception as to the interrelation between security and disarmament. But his aversion to national sovereignty and his belief that international peace is not only possible but inevitable (see p. 17) cause Dr. Lambert to lose perspective and he overestimates or underrates certain phenomena rather hopelessly and, at times, inexcusably.

Dr. Lambert is a staunch Austinian as far as the theory of law is concerned. His attitude toward international law is summed up by the statement that it is neither international nor law (p. 125). Whether or not one is an adherent of the Austinian insistence on sanction, a complete analogy between private and international law is quite out of order. Therefore, it seems ill-considered—especially on the part of a law professor—to illustrate the lack of juristic element in international law by the lack of a complete identity of treaties on the one hand and contracts on the other. Dr. Lambert denies—and properly so—any such identity; but his reasoning is fallacious. He says that in case of treaties there is no real coincidence of the will of the parties. The stronger state frequently obtains a treaty serving exclusively its own interests and uses for this purpose, if not armed, at least economic force; whereas in private law the freedom of will is essential to the validity of contracts (pp. 118-19). He obviously disregards the precarious and theoretical character of this so-called freedom of contract which is so wholly vitiated by the economic pressure, for instance, on unorganized labor bargaining for employment. Equally fallacious is Dr. Lambert's criticism of private international law because, in case of conflict, the courts of different nations reach contrary decisions on identical problems. It may be asked what the author's reaction is toward the conflicting decisions of courts administering as highly developed a legal system as that of France which, moreover, has the advantage of centuries of uniformity.

Fallaciousness is, however, a less serious defect than ignorance; and unfortunately, the author is not free from this charge. He exhibits ignorance of history by expressing an opinion that moral condemnation of war is a great novelty in international relations because "until the end of the World War violence between states appeared to be a respectable institution. For the first time [*sic*] there

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exists a European community the majority of which condemns war" (p. 129). Why, even warriors like Napoleon professed a love of peace and regarded war as *ultima ratio*; and the European community, although in different form, has made concerted efforts—sometimes successful—not to condemn but to avert war—however respectable the institution as such may have been considered! And what a bold assertion to make, that a right of mediation, which did not exist before, was finally recognized by the League Covenant (p. 195)! Truly, a professor of peace can hardly be excused for overlooking the Hague Convention for the Pacific Settlement for International Disputes, which recognized in unmistakable terms as far back as 1899, almost a quarter of a century before the birth of the Covenant, the friendly right of any state to offer its good offices and mediation to disputing nations. The extent of the author's familiarity with the Constitution of the United States is illustrated by his assertion that that document contains a definition of an "aggressor" as one who invades the territory of another (p. 228). It is regrettable that on account of flaws as serious as these, Professor Lambert's otherwise interesting book cannot be unqualifiedly endorsed.

FRANCIS DEÁK

COLUMBIA LAW SCHOOL

Hitler's Reich: The First Phase. By HAMILTON FISH ARMSTRONG. New York, The Macmillan Company, 1933.—73 pp. $1.00.

Germany Enters the Third Reich. By CALVIN B. HOOVER. New York, The Macmillan Company, 1933.—243 pp. $2.50.

Modern Germany: A Study of Conflicting Loyalties. By PAUL KOSOK. Chicago, University of Chicago Press, 1933.—xxi, 348 pp. $3.00.

One of the most amazing aspects of the triumph of National Socialism in Germany is the rapidity and apparent ease with which the Nazis crushed their opponents and wiped out almost the entire administrative and cultural structure of the Weimar republic. What it took Mussolini several years to accomplish Hitler and his cohorts were able to effect in the brief period of several months. Mr. Hamilton Fish Armstrong, editor of *Foreign Affairs,* presents an excellent and concise picture of the complete collapse of the republic. Briefly

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but lucidly and authoritatively he recounts the story of Hitler's ride to power and his first six months of rule. Mr. Armstrong is at his best in the analysis of Nazi foreign policy. He finds the key to their ideas in the fact that "on the day they came to power there were few of them from top to bottom who had ever seen a foreign land, and probably there was not one whose conception of what the world is like corresponded to reality." This provincialism has turned out to be a source of both the strength and the weakness of Nazi foreign policy. It accounts for many of their formal blunders, but it is also responsible for the more direct and emphatic assertion of German policy under Hitler. According to Mr. Armstrong, Nazi foreign policy aims for *Anschluss* with Austria, the return of the corridor and Silesia from Poland, the restoration of Danzig, Schleswig, Memel, Eupen and Malmédy and the former German colonies in addition to rearmament. As possible sources of weakness in the régime he suggests the contingency of division within the Nazi ranks and the difficulties which the Hitler government will encounter if it is "going to pay off its supporters, redeem its promises to improve the situation of agriculture against industry and in general to bring better times."

A much more pretentious attempt at an analysis of National Socialism is found in the work of Calvin B. Hoover, author of the much acclaimed *Economic Life of Soviet Russia.* Professor Hoover presents an informative account of the economic structure of Republican Germany and of the social and political alignments, a very readable and dramatic survey of the political events leading up to Hitler's assumption of power, an interesting narrative of Nazi rule up to July with a very objective and dispassionate discussion of the terror and the "end of the republic". The second half of the volume is devoted to a rather detailed exposition of the principles of National Socialism with special attention to Nazi economics.

Professor Hoover very justly recognizes the mass character of the Nazi movement. But, he points out, it "did not derive its force from the masses of the urban proletariat. The masses which gave weight to the movement were the ruined aristocracy, the over-burdened lower middle class, the discontented peasants, and the youth of the universities, inflamed against a world which offered them no future. The Party membership included only that fragment of the urban proletariat which saw no immediate hope in communism." Although the author admits the importance of nationalism and the influence of the resentment against the Versailles treaty he very rightly points out that "it was the hostility of the people based on economic grounds

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which gave the mass weight to the movement against the system and insured its overthrow". Similarly, he emphasizes the point that the National Socialist Party is not to be entirely identified with the person of Adolf Hitler. But he is also very much to the point when he characterizes Hitler's methods as not merely a matter of cleverness but as "a species of self deception which often characterizes the fanatic and which enables him at will to believe anything which at the moment appears convenient to have others believe".

Unfortunately, however, Professor Hoover's work also contains many errors, misinterpretations and misconceptions. His account of the attitude of public opinion toward the von Papen government is hardly in line with what the reviewer found during his stay in Germany during that period. Had Professor Hoover consulted the issues of the Berlin *Angriff* for November 3, 4, 5, 1932 he could not possibly have said that "the news in regard to National Socialist participation in the strike [the Berlin transportation strike] was usually placed in an inconspicuous place in the *Angriff*". These, however, are minor errors compared to the fundamental misconception underlying Professor Hoover's view of National Socialism. It is the author's belief that National Socialism represents an essentially anti-capitalistic movement and that the Nazi assumption of power means an end to the capitalist system in Germany and a transformation of German *economic* life as radical as that effected by the Bolshevik revolution in Russia. He emphasizes the "socialist" character of the movement during its propaganda days and affirms his conviction that the Nazi leaders, true to their earlier "socialistic" principles, have already started to carry out these principles and will continue to do so in the future. Very curious in this connection is the economic interpretation which the author gives to the process of *Gleichschaltung,* or coördination. *Gleichschaltung,* for the author, represents an "ingenious idea of retaining the form of private corporate ownership while taking over the function of appointing or at least confirming the directorates of corporations by the Party". Thus what was so obviously a measure motivated by the desire for political power pure and simple, with the additional motive of securing jobs for Nazi supporters, is elevated by Professor Hoover into the instrument of a new revolution, "a third form of property". The process of appointing or confirming the directorates, he continues, "has been carried out only irregularly so far. There is little doubt that the system will eventually be regularized." It has, indeed, been regularized—by its total abolition.

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A detailed refutation of Professor Hoover's thesis would perhaps require as much space as is covered in his own work. All that can be indicated here are a few salient points which, in the mind of the reviewer, definitely contradict Professor Hoover's interpretation. He takes programs and platforms too seriously and too formally. He fails to see the dynamic and ever-changing character of the Nazi movement and above all its subordination of all ideas and principles to the propagandistic needs of the moment. In its early stages and to the present day, among large masses of the rank and file, National Socialism was and still is decidedly anti-capitalistic in character. But the leaders of the movement, those who shape its policies, gave up their "socialistic" ideas long before they came to power. Hitler began addressing Westphalian industrialists and stressing the upholding of private property and private initiative as early as 1926. On April 23, 1928 Hitler published a codicil to the official Nazi program which nullified completely point seventeen of the program regarding land reform and the uncompensated expropriation of landed estates. This codicil was printed thereafter in all the official statements of the Twenty-five Points, yet, strange to say, it is not mentioned by Professor Hoover. The official commentary on the program for 1931 and 1932 declared that socialization referred only to the state intervention in the big Jewish banks and that this task having already been completed there was no further need of intervention into private industry. The financial support given to the Nazi movement by Thyssen, Kirdorf, the Lahusen brothers of Bremen, the Munich industrialists Hermann Aust, Dr. Kuhlo and Dr. Nöll, the locomotive manufacturer of Berlin, von Borsig, and the Augsburg industrialist, Grandel, not to speak of the secret support of innumerable other industrialists, would hardly lead one to say with Professor Hoover that the only industrialists who supported the Nazis were "usually the owners of small industries". Space does not allow quotation from that famous interview between Otto Strasser, the leader of the "national-revolutionaries", and Hitler on October 21-22, 1930, in which Hitler reveals his complete abdication of socialist principles. This most crucial document, found in Otto Strasser's *Ministersessel oder Revolution* (Berlin, 1930), is not even alluded to in the work under review. Finally, attention should be called to the interview of H. R. Knickerbocker with Gregor Strasser (brother of Otto), at that time the leading economic expert of the party, published in the *New York Evening Post* of October 11, 1932. "We recognize private property," declared Strasser. "We recognize

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private initiative. . . . We are against the nationalization of trade. . . . When we come to power there will be no violent changes."

And there were no violent changes. The direction of economic policies was placed in the hands of such good old capitalists as Alfred Hugenberg and the industrialist, Kurt Schmidt, who has emphasized in every speech and act the capitalistic character of the régime, and Dr. Hjalmar Schacht who had declared that "any attack upon private property was irreconcilable with his principles." On May 17, 1933 Hitler proclaimed private property as the basis of all culture and on July 2 he banned all talk of a second revolution. The economic council of the N. S. D. A. P. was purged of all the Nazis who still took the word "socialism" seriously, and the era of the "normalizers" set in. The normalizers were none other than such arch-capitalists as Krupp von Bohlen, the president of the Krupp A. G., the steel magnate, Krosigk, and the prominent Köln banker, Baron Kurt von Schröder. To speak of such a state as socialistic and anti-capitalistic is just as incongruous as would be a socialistic revolution in the United States carried out by John D. Rockefeller, Henry Ford, John Raskob, Charles Schwab and associates. The Nazis have and will continue to intervene in industry. That is of course undisputed. But Germany has always been the classic land of state intervention and this marks no new and radical departure from the practices of the previous régimes.

Although written before the Hitler overturn in 1933, Professor Kosok's *Modern Germany,* in the opinion of the reviewer, is more valuable for the understanding of what has happened in Germany than any other single work. The best survey of the history of Germany since 1870 available in any language is presented by the combination of this book with Arthur Rosenberg's *Birth of the German Republic.* Professor Kosok's work is a study of the conflicting loyalties of the various social classes, revealing the complete absence of any real defenders of the republic. The author gives a most authoritative analysis of the bourgeoisie, the middle classes, the proletariat and the peasants, of the political parties, governmental administration, army and educational system, of the church, the youth organizations, the press and the minority groups. A chapter on national symbolism, in many respects the most brilliant section of the book, by Isidore Ginsburg, closes the work. Some passages read in the light of the recent events almost seem like the illuminating visions of a prophet, so true to the author's predictions did conditions develop. The work suffers, however, from several minor failings. The author has appar-

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ently allowed himself to be influenced too much by misinterpretations and biases of Communist writers. This is reflected in the almost slanderous tone with which he describes the activities of the trade unions and the Social Democrats, in his failure to point out the contradictions between the Communists' aims in Germany and Russian industrial development which hampered the activities of the German party, in his obvious neglect of the similarities and even definite coöperation between Communists and National Socialists and in his apparent acceptance of what was the position of the Communist International, namely that the coming of National Socialism was inevitable as a stage precedent to the Communist revolution. In his discussion of the army Professor Kosok does not bring out the political importance of the Reichswehr as exhibited in the activities of von Seeckt and Schleicher. His chapter on the youth movement is the weakest. One misses an analysis of the social position of the post-war youth, their urge to some sort of decisive action and an explanation of why they form the solid support of the Nazis. The usefulness of the copious bibliographical notes is reduced by the indiscriminate assortment of books without any indication as to the viewpoints of the authors. The book is also marred by innumerable typographical errors.

KOPPEL S. PINSON

ENCYCLOPAEDIA OF THE SOCIAL SCIENCES
NEW YORK CITY

World Prosperity as Sought through the Economic Work of the League of Nations. By WALLACE MCCLURE. New York, The Macmillan Company, 1933.—xxxix, 613 pp. $4.00.

The insistence of national states upon political independence in an age in which technical change has made them economically dependent on each other is the antithesis which forms the background of this book. As long as this conflict remains unsolved so long will mankind be a prey of economic insecurity and fail to attain a standard of living commensurate with his efforts and the world's resources. For the author the way out is through the instrumentalities of international coöperation provided by the League of Nations.

The book should be classified under two headings—"League of Nations" and "World Economics". Other authors have discussed in partial fashion the activities of the League in the field of economics; the League made a *Report* in 1927 on its economic work. We have also *Ten Years of World Cooperation* issued by the Secretariat in 1930 and still more recently Morley's *The Society of Na-*

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tions. The present volume is more comprehensive in its treatment of the subject than any of its predecessors. "Economic" is given a liberal interpretation by Dr. McClure. He makes it cover Greek refugee settlement, investigations, conferences and agreements regarding opium, alcohol, white slavery, malaria, calendar reform and obscene literature, and other subjects related only indirectly to economics. A whole chapter is devoted to economic aspects of disarmament, and part of another to the finances of the League. Moreover the discussion is not limited to League activities. Chapters i and ii deal with international coöperation before 1914 and with the World War and the Peace Conference. The core of the book, however, is concerned with international trade and finance. Particularly comprehensive treatment is given to the World Economic Conference of 1927, and to the later conferences which attempted to make effective some of its recommendations.

The treatment is scholarly, with a wealth of citations and of quotations from source materials, principally League documents. The author's arrangement of his material involves considerable duplication. Part I takes up the work of the League by instrumentalities, such as the Economic and Financial Organization, the International Labour Office and the World Economic Conference. Part II is organized topically under such headings as Commerce, Finance, Rationalization, etc., with the result that much ground is covered twice. The arrangement, while increasing the value of the book for reference purposes, makes it cumbersome for other uses.

Dr. McClure's work is confined chiefly to description and analysis of the League's investigations, reports, conferences, administrative activities, etc. He attempts little in the way of criticism of the methods employed. The limited success which has thus far been attained in making effective the League's recommendations for concerted economic action, for example in the reduction of trade barriers, is ascribed principally to a single cause, i. e., excessive nationalism, which unfortunately seems to be waxing mightier every day.

On the title page the author is described as a co-founder of the Academy of World Economics. His book, indeed, is intended to be more than an historical record of certain aspects of League activities, it is pioneering in a new field. National economy, with its absolutist conception of legal rights and irresponsibility, its financial autonomy, barriers to external trade and inimical spirit toward other national economies, the author believes is now an anachronism and the precepts of nationalistic economics have become inadequate. "Long before

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the advent of the aeroplane and the radio, this had become true. Long before the League of Nations, extensive codes of law governing transportation, communication, and various humanitarian enterprises, had been widely adopted. . . ." World economy, essential because of the demands of modern industry for goods and markets, was established in a new and distinctive sense after the close of the World War. "The world economic depression commencing in 1929 proved that, scientifically speaking, the primacy of national economy had been superseded by that of world economy. . . . The individual man must henceforth look to world economics rather than to national economics as a guide book to his individual prosperity." The author nowhere defines the term "world economics" but quotes evidently with approval the definition of Barnhard Harms, "World economy is the sum total of relations and the reactions thereof between the individual economies of the world, rendered possible by a highly developed system of communications and regulated as well as promoted by international treaties."

The tone of the book is optimistic, perhaps more so than it would have been if it had been finished in May 1934 rather than in May 1933. The failure of the London conference on which the author, as well as many other apostles of world economics, pinned high hopes, followed by the inauguration of new nationalistic recovery schemes at home and abroad, might well have given rise to doubts. But at bottom the record speaks for itself, and aside from the subjective reactions of author or reader it is a demonstration of the gradual recognition by nations of common interests and the development of means to safeguard and promote them.

P. W. BIDWELL

UNIVERSITY OF BUFFALO

Legislatures and Legislative Problems. Edited by THOMAS H. REED. Chicago, University of Chicago Press, 1933.—x, 296 pp. $1.00.

Legislatures and Legislative Problems is a group of radio talks sponsored by the Committee on Civic Education by Radio of the National Advisory Council on Radio in Education, and the American Political Science Association. It is a well-planned and carefully carried out attempt at adult education through the radio. It goes beyond the discussion of current problems; it is an attempt to furnish a background for an understanding of the daily newspaper and of the radio addresses on current problems which are so often

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colored by a propaganda attitude. The conditions for a radio address are very severe. A radio audience is credited with, at the longest, a half-hour's patience, and it is usually considered that fifteen minutes of concentrated attention is about all one can count on from the unseen hearers. To carry out the purpose of these talks, therefore, the Committee had to find men not only well-grounded in the subject, but also ready in expression. The talks could not be elaborated arguments, both because of the time limitation and because the radio audience likes to have its facts definitely stated, and the opinions it listens to clear and rather didactic.

The Committee has tried two methods of meeting the requirements of its medium of instruction: conversation between a group of experts and dividing up the time between two speakers who either carry on a debate or take different phases of the same subject or different points of view. The talks on "Aids to Legislation" and "The Governor and the Legislature" seem to the reviewer particularly good examples of the conversational method. From experience in this method, the reviewer realizes the difficulty of arranging the subject matter to be discussed, so as to preserve the liveliness of give and take and at the same time leave definite ideas in the mind of the hearer. The talks seem to him to be evidence that the conversational method may be made successful if the right speakers are secured and the subject properly prepared. To the reviewer, however, the book shows the difficulty in staging a debate on the air which would even reasonably present both sides in a short period. It seems to him that it would be more satisfactory to give each side a consecutive period with two speakers at each period. Radio technique justifies dividing the period between two speakers, who divide the subject, as was done in the talk on Banking.

The Committee has done a double service in printing these talks: first, because of the example of technique to those who are carrying on radio education, and, secondly, because some of them contain in a short compass stimulating material on the subjects treated. The reviewer happens to be especially interested in legislation and legislative procedure. The talks on these subjects should be useful to classes on government.

The various topics which involve legislation are scattered. It seems to the reviewer that a better arrangement would have been to have given consecutively the several talks on legislative organization and procedure, The Lobby, The Governor and the Legislature, Aids to Legislation, and Parties and Pressure Groups. This arrangement

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would have presented a picture of the legislative process as a whole, which might have been closed by two quarter-hour lectures reviewing previous talks and showing their interconnection as bearing on the development of a legislative idea, the preparation of a statute and action in the legislative body.

Those who have had to do with radio education will realize the immense amount of work which must have gone into organizing this series of talks, into securing competent speakers and getting them before the microphone at the proper time. The reviewer presumes that the Committee will try to assemble reactions of the audiences to the methods used and make its report available for the information of those in charge of radio broadcasting programs.

JOSEPH P. CHAMBERLAIN

An Undiplomatic Diary. By HARRY HILL BANDHOLTZ. Edited by FRITZ-KONRAD KRÜGER. New York, Columbia University Press, 1933.—xxxi, 394 pp. $3.50.

Dark pages of Hungary's post-armistice history are revealed with dramatic force in the diary of General Harry Hill Bandholtz, who was the American member of the Inter-Allied Military Mission to Hungary from August 1919 until early February 1920. He arrived in Budapest a few days after the collapse of the Bolshevik government of Béla Kun and his sojourn in Hungary largely coincided with the Rumanian occupation of the country. The world, outside of Hungary, knows little indeed about the events of these months—events which may be said without exaggeration to be without parallel in modern history. The day-to-day diary of General Bandholtz unfolds the tragedy to which the Hungarian people were then subjected. The book contains important source material for historians. It recites tersely, with military brusqueness, the history of the Rumanian occupation and the efforts which General Bandholtz and his British colleague made in endeavoring to keep the Rumanians within bounds. That their efforts were not wholly successful was due to the impotence of the supreme Allied authorities assembled in Paris to cope with the situation and enforce their orders against recalcitrant Rumania. Professor Krüger of Wittenberg College, Ohio, who edited the diary, has prefaced it with a short introduction containing so much of the historical background as seemed essential to the proper appreciation of the events recorded by General Bandholtz. It is quite obvious that the diary was not

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written for publication. Both style and content indicate its strictly personal nature; and in this fact lies its greatest value. The effect which it might produce on an audience was evidently not in the writer's mind. The book is a frank and unbiased record of an eye-witness to a drama to which he came without prejudice in favor of any of the participants. If later he became himself an actor as well as—to some extent—a partisan, by endeavoring to mitigate suffering which the army of occupation and Rumanian officials sought to inflict on a defenseless nation, his change of front is more than justified by the records of facts—records fairly supported by the documents included in his narrative. Apart from its importance for historians, the book should find favor also with the general public. The informality of style, the swiftness of the recital, the author's good-natured dry humor all contribute to make this a readable and at times a thrilling book. This diary is also an evidence of the fairness, the integrity and high idealism of the late General Bandholtz. For a man to come to a country, against which he had not long ago been engaged in war, without bitterness, hatred, or even prejudice, but with good will and an open mind, is indeed a rare accomplishment deserving high tribute both to the man and, indirectly, also to the nation which he represented.

FRANCIS DEÁK

COLUMBIA LAW SCHOOL

The Function of Law in the International Community. By H. LAUTERPACHT. Oxford, at the Clarendon Press, 1933.—xxiv, 469 pp. $7.50.

Dr. Lauterpacht's writings are usually provocative and therefore stimulating. Parts of this book had already appeared in *Economica*, in the *British Year Book of International Law*, and in the *Recueil des Cours* of the Hague Academy, but the whole is greater than its parts. "It is an attempt at an exposition, by reference to the problem of the international judicial function, of what are believed to be the principal issues of the philosophy of international law." Such a book has been much needed, especially in English, since our own literature in this field has been lagging behind that of the Continent. The title is somewhat misleading, especially to American scholars indoctrinated with the theories of a functional approach. The real subject of the book is rather the judicial function or the place of the judicial process in the international legal system. Dr. Lauterpacht

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might defend his title by reference to his doctrine that application by courts is an essential element of law but the word "function" is not clarifying when thus used.

The book covers a multitude of topics, as a glance at the excellent analytical table of contents will show. There is an introductory part on the doctrine of the limitation of the judicial process in international law with an analysis of treaties for pacific settlement of disputes. Part II contains a splendid discussion of the problem of "gaps" and cases *primae impressionis*. Part III analyzes the alleged distinction between legal and political disputes, including a discussion of "The Impartiality of International Tribunals." Part IV is entitled "Stability and Change in International Law", wherein falls the discussion of the doctrines of *rebus sic stantibus* and abuse of rights. Part V is to some extent a continuation of Part III, dealing with the common conventional phrase "disputes as to rights." The last part covers "The Limits of the Rule of Law", studied specifically and as a problem of general jurisprudence.

It is chiefly in this final Part VI that Dr. Lauterpacht's legal philosophy is clearly revealed. There is a good deal of the Austinian in his concept. He reveals a tendency to measure facts by his definitions rather than his definitions by the facts. He does not seem to share the approach of Cardozo: "Law and obedience to law are facts confirmed every day to us all in our experience of life. If the result of the definition is to make them seem illusions, so much the worse for the definition; we must enlarge it until it is broad enough to answer realities." Nor does he seem to have started from the viewpoint of a Chinese saying which teaches that "one should always have in the background of his mind a multiplicity of definitions covering the subject at hand in order to prevent himself from accepting the most obvious." Dr. Lauterpacht is not willing to put up with the deficiencies of the present international legal system. He never flatly asserts it but he undoubtedly takes the position that an essential element of law is the existence of tribunals competent to adjudicate impartially upon the operation of legal rules. The word "impartially" is necessary to his conception; he is apparently not satisfied by the fact that states customarily govern their day-to-day actions in a multiplicity of situations by resort to and application of rules of international law determined by departments of foreign affairs. It is not enough for Dr. Lauterpacht that rules of law be applied by some societal agents—they must be applied by tribunals and these tribunals must be impartial. This impartiality, however,

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may apparently be theoretical rather than real without affecting the requirements of his legal philosophy. Nor are his requirements satisfied by the fact that rules of international law are constantly being applied by "impartial" tribunals, when submission is voluntary rather than compulsory. His usually exhaustive treatment is on this point marred by insufficient attention to the application of international law by national courts and the related problem of the dualistic and monistic theories of the connection between international and national law.

Dr. Lauterpacht rejects the comparison between present international law and the law of primitive societies. He would have the international lawyer reject all compromises with existing defects in the international legal system. He would not acquiesce in the theory that the jurisdiction of international tribunals rests solely upon the will of states and he seeks to avoid that theory by the dangerous expedient of attempting to show that the Permanent Court of International Justice has disregarded it.

The reviewer has found most helpful that part of the book dealing with the problem of gaps and the prohibition of *non liquet*. This problem is covered by an abundant literature dealing with the sphere of national law but Dr. Lauterpacht has rendered great service in his treatment of its international aspects. Here, as elsewhere, he successfully reverses what he calls the "tendency of international lawyers to treat fundamental questions of international law apart from the corresponding phenomena in other fields of law." He holds that "The filling of these gaps may be regarded as being legitimately within the scope of judicial activity." He is not misled nor frightened by the bugaboo of "judicial legislation." Excellent also is his attack upon the crippling distinction drawn between legal and political disputes. He points out that statesmen have all too often sought to avoid an obligation to arbitrate important questions by calling them political on the false assumption that this contention conclusively proves that they are not legal. Herein lies the chief defect of even the broadest modern treaties for compulsory judicial settlement. The author, however, realistically acknowledges that "It is the absence of confidence in the judicial character and impartiality of international tribunals, and the traditional assertion of national sovereignty as the ultimate judge in matters of importance, that lie at the bottom of the supposed non-justiciability of such disputes."

The reviewer finds numerous small points of disagreement with the author but in general these do not affect the work as a whole.

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A few points seem labored, such as the attempt to reduce the whole of the common law of torts to the affirmation of the prohibition of abuse of rights — "a compromise, by reference to requirements of justice and of social needs, between the conflicting principles *sic utere tuo ut alterum non laedas* and *qui utitur jure suo alterum non laedit.*" There are portions of the book which seem repetitious and at times the author does not seem wholly consistent with himself. But all the reviewer's disagreements are submerged in his gratitude to Dr. Lauterpacht for producing a book which is highly stimulating and which contributes mightily to sweeping away many cobwebs which obscure the development of international law.

As in other works of the same author, the annotations are themselves a valuable guide to legal literature. His familiarity with the great store of decisions of international tribunals constantly enriches his text. He includes an interesting appendix on the "Limitation of the Judicial Function in Disputes Between State-Members of Composite States", covering cases chiefly in the United States, the British Commonwealth of Nations and Switzerland. There is a good index.

PHILIP C. JESSUP

The Cambridge Ancient History. Volume IX. *The Roman Republic 133-44 B. C.* Edited by S. A. COOK, F. E. ADCOCK and M. P. CHARLESWORTH. New York, The Macmillan Company, 1932.—xxxi, 1022 pp. $9.00.

The successive volumes of the *Cambridge Ancient History* are being greeted almost as a matter of course with high commendation, and Volume IX offers no pretext for altering the happy precedent. The book, which covers the years from the Gracchi to the death of Caesar, is a model of historical composition. Particularly striking is the temperate tone of the several contributors, because the exciting period of the last century of Roman republican history affords a ready excuse for violently partisan views on social, political and economic problems that are, in a sense, universal and that still engage the warm interest of us moderns. Parties and persons—Optimates, Populares, Equites, the Gracchi, Marius, Sulla, Lucullus, Pompey, Crassus, Cicero, Caesar—all receive their due; their achievements and their failures are evaluated with judicial impartiality. The same sanity characterizes the handling of the source material. Copious or jejune, sound or suspect, the evidence is manfully dealt with: every

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scrap is used for what it is worth and for no more than it is worth. Furthermore, the principle of the "continuity of history" is always borne in mind. Not only is the story a consistent and organic whole, but at every possible juncture it points toward the inevitable Principate that lies beyond.

The main narrative is the work of Messrs. Last, Cary and Adcock. Collateral and subsidiary lines of development are skilfully worked in at appropriate places—Professor Rostovtzeff's account of the origins and early history of Pontus, Mr. Bevan's account of the Jews and Mr. Tarn's sketch of the growth of the Parthian power. The last named chapter, which offers a revised sequence of Parthian rulers quite at variance with that accepted by the numismatists, is perhaps the most original contribution in a volume which is not otherwise conspicuous for unorthodox views. Professor Adcock, in recounting the famous dispute between Caesar and the Senate, takes the unconventional view that the extension of Caesar's proconsular command in Gaul legally terminated on the Ides of November in the year 50 B. C., but otherwise there is little that is strange. And after all, the absence of novelties is not surprising in a field that has been so well worked out as the portion of Roman history covered in this volume.

There are five chapters of a general nature. Mr. Stevenson contributes a clear account of provincial administration with an illuminating discussion of the problems of imperial frontier defense. The literature of the age of Cicero is adequately summarized by Mr. Sikes and there is a lively account of Ciceronian society by Professor Duff. The two other general chapters transcend the strict chronological limits of the rest of the work. These are a résumé of Roman art by Mrs. Strong, in which emphasis is laid upon the importance of native origins and national feeling, and a welcome sketch by Professor de Zulueta of the development of the law from the beginnings to the period of the great jurisconsults of Cicero's day.

It is impossible here to signalize the many excellencies of the leading narrative. The reviewer likes in particular, despite a certain occasional preciosity of style, the work of Mr. Last. His account of Tiberius Gracchus in the opening chapter is historical writing of a high order. Because of the nature of the sources, exact truth, as Last explains, will always be unattainable, but the reconstruction which he offers is at least internally consistent. It hangs together and it makes sense. He wrestles with every known element of the problems involved. Extremely adroit is the introduction of the

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contemporary Sicilian slave revolt and the suggestion of its possible influence in Rome. The writer makes no effort to conceal his sympathy with Tiberius as a personality and he has the severest criticism for the aims and methods of Gracchus' opponents, but at the same time he explains with lively understanding the case of the oligarch. Last has a fine flair for the analysis and exposition of political issues and his characterizations are excellent; even minor personalities like Papirius Carbo, Scaevola and Scipio Nasica take on real individuality. Finally, the discussion of economic circumstances, though admittedly tentative, is interesting and thought-provoking; Last, like his fellow-contributors, is not afraid to indulge in ratiocination where information fails, but fact and theory are always discriminated and no reader need be misled.

The only adequate thing one can say in concluding this review is that the volume leads one to hope that the appearance of Volume X will not be too long delayed.

CASPER J. KRAEMER, JR.

NEW YORK UNIVERSITY

Essais sur quelques problèmes économiques et monétaires. By CHARLES RIST. Paris, Librairie du Recueil Sirey, 1933. — xvi, 501 pp. 70 francs.

The papers assembled in this volume were prepared and published over a period of twenty-eight years. Some deal with pure theory, others with current monetary problems, and still others with statistical interpretation of selected economic phenomena. Despite, however, the diversity of subjects, the author holds that his essays have a common trait in that they exemplify the methods "*des diagnostics économiques*". This is "*la seule excuse de l'auteur pour les remettre sous les yeux du public*". For the reader's benefit it is stated that the essays in pure theory are: "*Théorie de l'épargne*" (1922); "*Économie optimiste et économie scientifique*" (1904).

"*Interpretations statistiques et économiques*" include: "*La Circulation monétaire française de 1878 à 1910*" (1914); "*Caractère et origine de la crise de 1929*" (1931); "*La Situation économique de l'Autriche en 1922*"; "*Le Mouvement des grèves en France*" (1907); "*Les Finances des syndicats ouvriers français*" (1911); "*Indemnité de guerre et commerce extérieur*" (1919); "*Conditions économiques de paiement des réparations*" (1922); "*Une Politique économique républicaine*" (1922).

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Among the monetary essays are: "*Pour la stabilisation du franc*" (1925); "*La Peseta espagnole*" (1929); "*Le Mécanisme de la stabilisation française*" (1928); "*La Question de l'or*" (1930); "*La Mauvaise répartition de l'or*" (1931); "*Retrouvera-t-on le niveau des prix de 1928?*" (1932); and perhaps to be considered as primarily monetary is the 1931 study, "*Caractère et origine de la crise de 1929*".

While faithful synopses of views expressed in so many studies cannot be given, some of the more important of the author's conclusions may be set down. In his 1925 study Rist held that France should stabilize at the prevailing gold value of the franc even though, because of the excessive depreciation in the external value of the franc, such action would probably lead to an increase in the internal price level. He insisted of course that effective steps be taken to balance the French budget and that restrictions on the note-issuing powers of the French Bank be relaxed. Otherwise, it would be difficult to control fluctuating tendencies in the foreign exchanges.

As regards the charge that the maldistribution of the world's monetary gold stock is responsible for current economic derangements, Rist contends that this argument puts the cart before the horse. The unequal distribution of gold is held to be a consequence of a previous overextension of credit in particular places, of stabilizations at improper levels, and of short-sighted tariff policies. It is mistakes of this type which are to be held responsible for the uneven holdings of the yellow metal by the different countries.

With respect to his analysis of the causes of the existing depression, Rist gives large emphasis to gold factors. Tendencies toward a decline of prices shortly before 1928 are to be attributed in part to the fact that gold prices of goods throughout the world had been brought to fictitiously high levels through the heavy concentration of gold in the country (the United States) whose currency unit had been unchanged in terms of its metallic content. At the same time a variety of "goods" factors, including restoration of more normal production throughout the world, tended to make the price level preceding 1929 unstable. The American security speculation and the over-use of credit in stimulating consumer buying also played an important part. But in the mind of the author the remedy does not lie in the abandonment of gold or in attempts to restore prices by monetary measures. A return to a better adjustment between production and consumption demand requires that prices be established at far lower levels than previously prevailed.

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The essays on Spanish and Austrian post-war conditions are interesting. The Spanish peseta declined after the Great War largely because of excessive public works expenditures designed to relieve unemployment distress; and developments in Austria in recent years prove the desirability of recognizing by fair tariff and trade policies the utility of that nation as a strong economic entity.

Space does not permit critical examination here of these and other important conclusions of the author. It is only possible to record satisfaction at the simplicity and charm of the author's exposition, and to express admiration for his wealth of information concerning recent world economic changes. One can be skeptical only in connection with the author's pretension that through the different essays runs a common strain. Rist's method of attack is not so unique, at least to American readers, as to justify any such claim. But no apology is required for the assembling of these essays. We commend their publication merely because Rist is Rist.

HAROLD L. REED

CORNELL UNIVERSITY

Unemployment in Germany Since the War. By KENNETH INGRAM WIGGS. London, P. S. King & Son, Ltd., 1933. — ix, 216 pp. 10s. 6d.

In this book the author attempts to prove that the growth of unemployment in Germany in post-war years has been due largely to the increase and maintenance of money wages in the face of falling prices and decreasing production, and that the rigidity of wages was supported by the existence of unemployment insurance. This position has been taken by a number of economists recently, notably in Great Britain. The study, Mr. Wiggs' doctoral thesis at the University of London, is divided into three parts. Part I is a description of the available statistics of unemployment in Germany, and a discussion of pre- and post-war unemployment. Not only are series of unemployment and employment examined, but production, wage, price and financial figures. The author shows that during post-war years unemployment in Germany reached heights never approached before. He estimates that the peak of pre-war unemployment, which was due mainly to seasonal factors, was 1,500,000, and that in later years the peak greatly exceeded this, with cyclical causes playing a far more prominent rôle.

In Part II, the data described in Part I are interpreted, and the

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effect of the inflation period of 1914-1923 and the scarcity of capital as a direct result of the war are discussed in relation to the increase in the period 1925-1929 of what the author calls "basic unemployment", i. e., that not due to cyclical and seasonal factors. In view of the present monetary policies in the United States, American readers will have a special interest in the short monetary history given in this part of the book.

Next the author proceeds to his main problem, the effect of wage rates on unemployment. Here his discussion is mainly theoretical, and though he states that "the collapse of prices brought about the slump" of 1929 (p. 133) still he attributes the extreme unemployment of post-war years to the rigidity of wage rates fostered by a strong trade-union movement and aggravated by the receipt of unemployment insurance benefit. The system of unemployment insurance in Germany is criticized on the ground that contribution payments have put the employer in a more disadvantageous position and curtailed his business. Mr. Wiggs does not consider whether or not the receipt of unemployment benefit by the unemployed worker may have helped to sustain purchasing power at a time when, with business falling, every increase in unemployment brought further shrinkage in the demand for commodities. Nor does he consider where the ultimate burden of contributions falls. He dismisses rationalization and increase of population as important factors in the rise in unemployment, and states that too much emphasis has been laid upon reparations as a primary cause. In the third and last part of the volume he reiterates his argument that "the failure of wages to respond readily to a rapid fall of prices was the cause of the sudden and heavy increase of unemployment during depression" (p. 186).

While Mr. Wiggs constantly uses statistics to illustrate his argument and prove his case, the book is primarily a deductive study predicated on a frictionless society where one factor changes and all others remain stable. The fact that a similar unemployment problem has existed in every industrial country, some with no unemployment insurance systems and no strong trade-union movement, is a challenge to the author's thesis. It suggests rather that the search for causes should be directed to a complex of factors involving industrial society. Until we have made further scientific studies of the exact timing, amplitudes and interrelations of movement of different economic factors, ascribing the growth of unemployment to the rigidity of wage rates instead of to the interplay of factors culmi-

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nating in the precipitate fall in prices is like arguing, to quote an English journalist, that if a pedestrian is hit by a motor driven at dangerous speed, the accident should be attributed not to the excessive speed of the vehicle but to the pedestrian's failure to adapt himself to the circumstances.

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Germany Under the Treaty. By WILLIAM HARBUTT DAWSON. New York, Longmans, Green & Company, 1933.—421 pp. $3.00.

One of the most significant events in post-war Europe is Germany's recovery of her freedom to direct her own affairs in international diplomacy without dictation from the powers that drafted the Treaty of Versailles in 1919. What will Germany do with that freedom? What objectives will she seek in her foreign policy? Mr. Dawson's recent volume, *Germany Under the Treaty*, defines one very important issue that is certain to be presented for settlement: namely, a demand for a reconsideration and revision of territorial provisions imposed upon Germany at the peace conference in 1919. The rise of Hitler to power and the resurgence of militant nationalism throughout the Reich make this more evident. These recent changes in a country that was supposedly defeated and checked indefinitely serve as a warning to the powers defending the political *status quo* in Europe. They are also a reminder of the fact that nations are slow to accept the truth of a given situation until compelled by threat of disaster or resort to force. The bases of Germany's claims have been clarified and strengthened from year to year with the findings that impartial research has contributed toward an interpretation of the results of the Versailles Peace Conference. The present work by Mr. Dawson makes a very valuable contribution to the analysis of German claims.

No attempt was made by the author to balance the demands of the encircling powers that acquired German territory at the close of the war against the rights or claims of Germany. This is not an objective or an impartial study of the reaction of European powers to the Treaty of Versailles. It is very definitely a presentation of Germany's reaction to only one aspect of the treaty: namely, the territorial provisions that relate to the Polish Corridor, Danzig, Upper Silesia, Memel, the Saar Basin, Eupen, Malmédy and the German

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colonies. Alsace-Lorraine is not considered one of the controversial questions that remain to be settled.

Mr. Dawson has given a very realistic touch to his study by taking the time and pains to visit all the ceded regions in order to secure a better understanding of the attitudes and demands of the inhabitants that were separated from their fatherland. He has exercised sufficient restraint to avoid exaggeration and hysteria. Yet there is sufficient insight and sympathy to make his interpretation of Germany's resolve to regain her lost territory a serious warning and a discordant note in the halls of peace.

The author is known as one of the foremost English authorities on German thought, life and history, having spent most of his time since his student days in Berlin as an interpreter of Germany for the English people. The present volume is one in a series of fifteen or more studies prepared by Mr. Dawson on German practice in social, economic and political developments. It serves both as a unit in a scholar's record of his observation of the changing life in Germany over a period of some fifty years, and as an able interpretation of a mighty national force related to one of the most difficult problems of contemporary world affairs: the adjustment of conflicting claims to territory without resort to war.

Provision was made in the Treaty of Versailles (Article 19 of the Covenant) for a "reconsideration by Members of the League of treaties which have become inapplicable and the consideration of international conditions whose continuance might endanger the peace of the world." Much has been said and written about treaty revision in the past fifteen years. Many changes have been made in the original document drafted at Versailles. Treaty revision today means primarily a peaceful adjustment of the territorial provisions of the treaty. There is nothing new about revising by peaceful means the non-territorial provisions of treaties. The constant revising of treaties by nations is proof of this fact. It is the application of peaceful methods of adjustment to disputes over territory that makes the post-war discussion of treaty revision so significant.

The reparations question has been practically eliminated from European diplomacy through a series of agreements that constitute a revision of Part VIII of the Treaty of Versailles. There is little possibility that Germany will cease her agitation and demands for equality of armaments until the Allied powers agree to an arrangement for Germany's rearming, or until they reduce their military equipment to a level that approaches the German status of arms.

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The latter is not to be expected. If Germany is allowed to rearm, or if she exercises her right to provide what she considers adequate military preparation, regardless of opposition by France and her allies, we may expect the leaders of Germany to compel a reconsideration of territorial questions on which she demands satisfaction.

The record of nineteenth-century Europe does not offer much hope in the way of peaceful adjustment of irredentist controversies. Of all the changes made in the political map of Europe from 1815 to 1914 only two were achieved by peaceful means. The Treaty of Versailles, however, provides for specific agencies and procedure for the revision of treaties and the consideration of conditions that endanger the peace of the world. The issue is clearly presented by Mr. Dawson. The machinery of peaceful adjustment or the machinery of war will be employed by the European powers to seek a settlement of territorial disputes that the world inherited from the peace conference. Germany is unwilling to live indefinitely under a treaty arrangement that she considers unjust and intolerable.

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